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Infrastructure Investment Trusts (InvITs) - Case Studies

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On this page: *Explore case studies related to Infrastructure Investment Trusts (InvITs). Read more below, or visit the main page for the Asset Recycling Handbook and Content Outline, or Download the Full Report*

Case Study - PowerGrid Infrastructure Investment Trust, India

POWERGRID Infrastructure Investment Trust (PGInvIT) was registered with the Securities and Exchange Board of India on January 7, 2021, as an infrastructure investment trust. It is a publicly listed InvIT, listed on the National Stock Exchange and the Bombay Stock Exchange. The sponsor is Power Grid Corporation of India Ltd (PGCIL), a state-owned enterprise and the first to offer an InvIT as part of the government's brownfield asset monetization strategy. Proceeds from fresh issue of the units were used towards the repayment or pre-payment of debt availed by the SPVs.

Asset Portfolio

The initial portfolio assets include five power transmission projects across five states of India. Assets comprise of 11 transmission lines, including six 765 kV transmission lines and five 400 kV transmission lines, with a total circuit length of approximately 3,700 km and three substations with 6,630 MVA of an aggregate transmission capacity and 1,955.66 km of optical ground wire.

Parties to PGInvIT

Role	Party
Sponsor	POWERGRID
Trustee	IDBI Trusteeship Services Limited
Investment Manager	POWERGRID Unchahar Transmission Limited
Project Manager	POWERGRID

Breakdown of shareholding, as per Half-Yearly Report FY 2021-22

Sponsor	15%
Public (Institutions)	63.75%
Public (Non-Institutions)	21.25%

Trust Structure

Figure: Case Study: PowerGrid Infrastructure Investment Trust, India

Case Study: PowerGrid Infrastructure Investment Trust, India

Key Takeaways

- Presence of established regulatory framework: The relatively clear regulatory framework for InvITs in India, provided the private sector comfort and reassurance of the outlook of investing in the InvIT.
- Quality of assets and stability of cash flows: The assets portfolio consisted of five fully operational and revenue generating assets with no development risk. These assets had proven financial and operational track record giving assurance that these assets are able to generate stable cash flows which will in turn be available for distribution to the unitholders.
- Payment mechanism backed with established regulatory framework: The Indian power transmission segment is well regulated with an established framework providing risk mitigation provisions such as availability-based payment structure, minimal counterparty risk and strong payment security mechanism.
- Strong lineage and support from Sponsor and Project Manager: The InvIT is backed by the world's third largest transmission utility as Sponsor and Project Manager.

Source: PowerGrid Infrastructure Investment Trust (https://www.pginvit.in/)

Case Study - The National Highways Infra Trust (NHIT) by the National Highways of Authority of India (NHAI)

The National Highways Authority of India (NHAI) established the Infrastructure Investment Trust (InvIT) National Highways Infra Trust (NHIT) to monetize road assets across India. Investors that subscribe to NHIT earn returns from toll revenues, while the government retains public ownership of the underlying assets.

NHIT is part of the National Monetization Pipeline (NMP) strategy to unlock capital from public assets by monetizing toll revenues. This enables NHAI to:

- Recycle capital for new highway projects
- Reduce dependency on debt for infrastructure funding – by enabling private sector participation in public infrastructure without additional government borrowing
- Retain ownership and control of the public assets

Trust Structure

NHIT employs a typical InvIT framework to pool investor funds into operational highway stretches. Its tiered structure comprising sponsor, trustee, investment managers, and project managers which collectively oversee operations and compliance. Key features of the trust include:

- Asset transfer: Operational toll roads are transferred to the trust.
- Investor returns: Cash flows from toll revenues are distributed as predictable income, making InvITs an attractive low-risk investment.
- Ownership retention: NHAI retains control over the highways while outsourcing operational management. The investment manager oversees the administration of assets, and the project manager oversees operations and maintenance (e.g. procuring and execution of operational contracts).

The trust is rated 'IND AAA'/Stable' due to its (i) strong sponsor track record and strong financial risk profile, (ii) good quality assets with predicted stable cash flows and low operational risk, (iii) robust

safeguards to protect against financial risks. The trust has garnered confidence from foreign and local institutional investors such the Canada Pension Plan Investment Board, Ontario Teachers' Pension Plan Board, and SBI Pension Fund.

NHAI InVIT – Trust Structure		Role
Sponsor	National Highways Authority of India (NHAI)	Responsible for development, maintenance, and management of national highways
Trustee	IDBI Trusteeship Services Limited	Oversees activities of NHIT and ensure compliance with regulations
Investment Manager	National Highways Infra Investment Managers Private Limited (NHIIMPL)[1], 100% owned by Government of India	Responsible for decisions in day-today management and administration of InvIT assets and investment of the trust
Project Manager	National Highways InvIT Project Managers Private Limited (NHIPMPL), 100% owned subsidiary of NHAI	Undertakes operations and maintenance (O&M) of assets.
Investors	The fund has attracted a range of institutional Investors including foreign pension funds, domestic pension funds, mutual funds, and insurance companies.	Investors who subscribe to units of the InvIT in return for distributable cash flows
Asset portfolio	NHIT manages a diversified portfolio of 15 operational toll roads across nine states in India after three rounds of fundraising.	Assets generate cashflow from toll revenue

Figure: The National Highways Infra Trust (NHIT) by the National Highways of Authority of India (NHAI)

The National Highways
The National Highways Infra Trust (NHIT) by the National Highways of Authority of India (NHAI)
Source: National Highways Infra Trust

Timeline of Fundraising Rounds

The NHIT has conducted three rounds of monetization since its inception, raising over approx. USD 3.09 billion (approx. INR 26,125 crore):

1. Round 1 – November 2021
    - Launch of the InvIT with initial portfolio of 5 operating toll roads spanning 390km
    - Raised approx. USD 948 million (INR 8,011 crore) raised in its first round.
    - Anchor investors include Canada Pension Plan Investment Board and Ontario Teachers' Pension Plan Board, each holding 25% of available equity
2. Round 2 – October 2022
    - Addition of 3 operational toll roads, total portfolio of 8 operational toll roads aggregating 636km of national highways
    - Raised approx. USD 169 million (INR 1,430 crore) in the second round.
    - Investors include foreign pension funds (Canada Pension Plan Investment Board, Ontario Teachers' Pension Plan Board), domestic pension funds (SBI Pension Fund, SBI Mutual Fund, IOCL Employee Provident Fund, L&T Staff Provident Fund, Rajasthan Rajya Vidyut Karamchari Pension Fund), mutual funds (State Bank of India), insurance companies (TATA AIG and Star Union Daiichi Life Insurance)
3. Round 3 – March 2024
    - Inclusion of 7 new operational toll roads, total portfolio of 15 operational toll roads in various states aggregating to 1,525km of national highways.

- Raised over approx. USD 1.89 billion (INR 16,000 crore) – USD 861 million (approx. INR 7,272 crore) in equity and USD 1.07 billion (INR ?9,000 crore) in debt.
- Investors include foreign pension funds (Canda Pension Plan Investment Board, Ontario Teachers' Pension Plan Board), domestic pension funds (IOCL Employee's PF, L&T Staff PF, Rajasthan Rajya Vidyut Karamchari Pension Fund, SBI Pension, etc.), insurance companies (Tata AIG, SBI Life, HDFC Life), mutual funds (SBI, Nippon India), banks and others

Sources: National Highways Infra Trust (https://nhit.co.in/about-us/)

India Ratings (https://www.indiaratings.co.in/pressrelease/67947)

Kotak Securities (https://www.kotaksecurities.com/investing-guide/articles/nhais-historic-invit-monetization-a-new-era-for-indias-road-infrastructure/#close-modal)

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- **The PPPRC Asset Recycling Section**
- **Executive Summary: Asset Recycling**
- **Asset Recycling Projects**
- **Asset Recycling Programs**
- **Table of Contents for Asset Recycling**

This section has not been prepared with any specific transaction in mind and are meant to serve only as general guidance. It is therefore critical that the content will be reviewed and adapted for specific transactions.

This is a new section of the website and is currently in draft form. For feedback on the content of this section or to suggest additional links or materials, please contact the PPP Resource Center using the feedback form.