

Govt plans InvIT route for BSNL asset monetisation

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To make the asset monetisation programme of BSNL a success, the government plans to take the recently expanded Infrastructure Investment Trust (InvIT) route. This will be the first major use of the route by a public sector company and it follows last week's announcement by the Reserve Bank of India allowing banks to invest in InvITs.

Announcing the decision to merge MTNL with BSNL, telecom minister Ravi Shankar Prasad said that both companies would monetise their assets to release the resources to retire debts, service the bonds and finance network upgrade, among others. He has pegged the total value of assets for monetisation at about ₹38,000 crore, which is to be carried out over four years.

The government's move is a huge confidence booster for the InvIT business. The InvIT market touched a value of ₹40,000 crore recently, but so far it has raised money only from the private sector. An informal estimate by the finance ministry had put the possible size of the market at close to ₹1 trillion by the end of this financial year. It now seems



CONFIDENCE BOOST FOR INVITS

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that the BSNL-MTNL asset monetisation programme could become a good part of that estimate.

A report by CRISIL earlier this year had stated that the InvIT market had the potential to reach ₹2 trillion by the end of March 2021. Set up by a sponsor, InvITs are designed as a tiered structure, which in turn invests

in eligible infrastructure projects either directly or via special purpose vehicles. The returns from the project are distributed as dividends at fixed intervals — usually a year. On the one hand, they need financing from banks to replenish themselves, and on the other, they need to create units that will attract investors. Until

recently, the RBI had concerns about banks' exposure to InvITs, and worries about the double financing of loans and the risks of ever-greening of loans that have gone sticky.

To remove these concerns, Market regulator Securities and Exchange Board of India (Sebi) in July this year amended its Infrastructure Investment Trusts Regulations, 2014, and raised the leverage norms (debt to asset value) for InvITs to 70 per cent from 49 per cent. This is subject to the trusts retaining a triple A credit rating, along with a track record of six continuous dividend distributions to unit holders.

However, this leverage cap is not applicable to privately placed, unlisted InvITs. The other change is that foreign portfolio investors can now invest in InvITs. This has made life easier for the InvITs, since it raises their liquidity, which can be deployed in more infrastructure assets.

To allow banks to lend to InvITs, the RBI put out a notification last week, saying that this would be possible provided the boards of the banks framed a policy for such investments. "Banks shall undertake assessment of all critical parameters including sufficiency of cash flows at InvIT level to ensure timely debt servicing," it said.