

PRESS RELEASE

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NHAI's targeted asset monetisation could fetch up to Rs. 60,000 crore in FY2025: ICRA

- **MoRTH could achieve up to 71% of its target under the National Monetisation Pipeline (NMP) by end FY2025**

ICRA estimates a monetisation potential of Rs. 53,000 – 60,000 crore from the sale of the 33 road assets through the toll-operate-transfer (TOT¹)/ Infrastructure Investment Trust (InvIT²) mode, which could translate into a Rs. 38,000-43,000 crore lending opportunity for banks/ capital markets. Moreover, ICRA expects that MoRTH could achieve up to 71% of its monetisation target of Rs. 1.6 lakh crore under the National Monetisation Pipeline (NMP) by end FY2025.

In April 2024, the National Highways Authority of India (NHAI) had released an indicative list of 33 road assets it plans to monetise in FY2025 through a mix of TOT and sale to the NHAI's InvIT. These assets are spread across 12 states, cumulatively spanning nearly 2,750 km and with annual toll collections of Rs. 4,931 crore.

Providing more insights, **Mr. Ashish Modani, Vice President and Co-Group Head, Corporate Ratings, ICRA**, said: *“Over the last six years, the NHAI has monetised 29 assets across 10 TOT bundles with valuation multiples³ ranging between 0.44 times to 0.93 times, realising Rs. 42,334 crore so far. Considering a 20-year concession period and annual toll collections, the identified 33 assets may garner between Rs. 53,000 – 60,000 crore, as per ICRA's assessment. Going by the debt-to-equity funding ratio seen in the past transactions, this could translate into a Rs. 38,000-43,000 crore lending opportunity for banks/ capital markets.”*

The NHAI intends to club the 33 identified assets into large (more than Rs. 6,000 crore), medium (about 3,000-4,000 crore) and smaller bundles (Rs. 1,000-3,000 crore), for different types of investors.

“The composition of the bundles shall remain a determining factor for the valuation multiple as the presence of road stretches built under the annuity mode/ Hybrid Annuity Mode (HAM⁴), will reduce the requirement for operation and maintenance expenses (for the new concessionaire) and hence, will carry a relatively higher multiple,” **Mr. Modani** added.

Under the NMP, road sector monetisation was expected to account for Rs 1.6 lakh crore, viz. 27% of total monetisation during FY2022-FY2025. By the end of FY2024, the NHAI (together with MoRTH) had realised around Rs. 0.53 lakh crore (~33%) across the two modes for monetising its assets, i.e., TOT and InvIT. In case the identified 33 assets garner the estimated Rs. 53,000 – 60,000 crore of monetisation in FY2025, the achievement against the NMP target could end-up between 65% - 71%.

¹ TOT: Business model wherein private players are granted tolling rights by the Government authorities (road stretches in this case), along with maintenance obligations, for a specified period.

² InvIT: Investment vehicles that enable developers of infrastructure assets to monetise their assets by pooling cash flows under a single entity (trust structure).

³ Valuation multiple: Highest bid/ (Toll collections for preceding year at the time of bid*Concession period in years)

⁴ HAM: One of the modes of project execution under Public Private Partnership (PPP), wherein the project cost is shared by the awarding authority (40% in case of NHAI projects) and the developer.

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