Risks and rewards

The asset monetisation push needs careful calibration to evade future hazards

Following through on the Budget's plan to monetise public assets in order to fund fresh capital expenditure on infrastructure, the Government has released an exhaustive list of projects and facilities to be offered to private investors over the next four years. What distinguishes it from the new public sector disinvestment policy is that a change of ownership is not envisaged. The Government estimates these assets – airports, coal mines, highway stretches, even urban tracts, stadia and hotels – to fetch around ₹5.96-lakh crore through structured leasing and securitisation transactions. This, in turn, could help fund the National Infrastructure Pipeline with new projects worth ₹100-lakh crore, although the Government has said fiscal constraints are not the trigger for this plan. As Finance Minister Nirmala Sitharaman has emphasised, these assets or the land therein will not be sold but private players will be asked to pay for operation and management rights and expected to modernise assets that are either languishing or are simply under-utilised. An infrastructure investment trust (InvIT) structure has already been used this year by the PowerGrid Corporation to raise funds against its transmission lines network and could be used for highways, gas pipelines and railway tracks, including the Dedicated Freight Corridor. For ports, mining, railway stations, concession agreements laying out the contours for a PPP are proposed.

About ₹88,000 crore is expected from the National Monetisation Pipeline (NMP) in this year itself, in addition to the ₹1.75-lakh crore already estimated in the Budget from the sale of public firms such as Air India and BPCL. While this Government is yet to complete a single PSU sale, the risks of adverse audit paras about valuations and processes hang over monetisation deals too. However, post-transaction troubles in outright sales can be of a limited nature. With proposed concession periods running up to 60 years for some assets, NMP deals, by contrast, could pose a long-term headache if they are not structured with end-user interests in mind, balancing the profit and utility motives. The sharing of risk and rewards between the public and private partners needs to be weighed carefully for each sector. Checks and balances are needed for actual infrastructure usage versus projections at the time of bidding. If the Government had implemented its 2014 Budget promise to set up an apex body to devise new PPP models, learning from past mistakes, India's institutional capacity for the NMP would have been more mature by now. Just like disinvestment deals during a downturn could crowd out new investments and risk the tag of 'fire sales', revenue projections for PPP assets could be deflated now leading to lower bids followed by super-normal gains for the operator in the future. Getting the nitty-gritty right is critical for this grand plan.