



PowerGrid Infrastructure Investment Trust

Why in News

The **Power Grid Corporation of India (PGCIL)** launched its **Infrastructure Investment Trust (InvIT)** - **PowerGrid Infrastructure Investment Trust (PGInvIT)**.

Key Points

▪ About PGInvIT:

- This is the **first time a state-owned entity (PGCIL) is monetizing its infrastructure assets through the InvIT route.**
- This will be **only the third InvIT to be listed in the Indian markets**, after IRB InvIT and India Grid Trust, both of which went public in 2017.
- The InvIT route was **proposed by the Centre as an alternative fundraising route** for state-run companies to manage funding requirements without having to depend on government support.

Power Grid

- It is a **public limited company** under the administrative control of the **Ministry of Power.**
- It is the **largest power transmission company in India.**
- It started its commercial operation in the year 1992-93 and is today, a [Maharatna company.](#)

▪ About Infrastructure Investment Trust (InvIT):

- It is a **collective investment scheme similar to a [mutual fund](#)**, which enables **direct investment** of money from **individual and institutional investors in infrastructure projects** to earn a small portion of the income as return.
- InvITs **can be treated as the modified version of REITs (real estate investment trusts)** designed to suit the specific circumstances of the infrastructure sector.
- It is **created to hold income-generating and operational infrastructure assets** such as roads, power transmission lines, gas pipelines, etc.
 - These assets have long-term contracts with strong counterparties that provide a steady cash flow over the long term – typically 15-20 years.
- The InvITs are **regulated by the [SEBI \(Infrastructure Investment Trusts\) Regulations, 2014.](#)**
- An InvIT **consists of four elements:**
 - **Trustee** has the responsibility of inspecting the performance of an InvIT.
 - **Sponsor(s)** are promoters of the company that set up the InvIT.
 - **Investment Manager** is entrusted with the task of supervising the assets and investments of the InvIT.
 - **Project Manager** is responsible for the execution of the project.
- Units of InvITs **can be listed and traded on a stock exchange**, providing them liquidity.

- Or they **can be private and unlisted**, in which case they are not publicly traded and largely invested in by institutional investors.

- **Advantages of Setting up InvITs:**

- **For sponsors** (infrastructure developers), InvITs **provide a convenient route to monetize revenue-generating assets, unlock equity gains, and deleverage their balance sheets** (i.e. to reduce debts).
- InvITs also **present a more tax-friendly structure**. Being a trust, all income received by the InvIT from underlying assets receives a pass-through treatment and is not taxable at the InvIT level.
- **For investors** such as banks, financial institutions, pension funds, insurance companies, and even retail investors, InvITs **provide a good low-risk investment opportunity**.

- **Disadvantages of InvITs:**

- InvITs are **sensitive to changes in regulatory and tax law**.
- Infrastructure **assets are not inflation-linked in India**.

- A high rate of inflation has a significant impact on the performance of InvITs.

[Source:BS](#)

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