

Ministry of Finance

National Monetisation Pipeline (NMP)

Relevant for all Mahindra Businesses

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Context:

Asset monetisation, based on the philosophy of creation through monetisation, is aimed at tapping private sector investment for new infrastructure creation, said Finance Minister Nirmala Sitharaman.

This is necessary for creating employment opportunities, thereby enabling high economic growth and seamlessly integrating the rural and semi-urban areas for overall public welfare.

Objective

Brownfield assets to give moolah to Centre via NMP; Expected to rake-in Rs 6 lk cr

For erecting a world-class infrastructure, the Centre is expected to rake-in Rs 6 lakh crore through asset monetisation of under-utilised brownfield assets, over a four-year period, from FY22 to FY25.

The National Monetisation Pipeline (NMP) announced this month envisages 15 per cent of assets monetisation with an indicative value of Rs 0.88 lakh crore in FY22.

Salient Features

- The ownership of the assets will be retained by the Centre.
- Besides, no land parcels will be taken up under the NMP.
- NMP focuses on brownfield assets in which investments have already been made but are under-utilised.
- These brownfield assets are in sectors such as roads, railways, airports, mines, and power.
- As per the NMP, the top 5 sectors in terms of contribution to NMP are roads (27 per cent) followed by railways (25 per cent), power (15 per cent), oil and gas pipelines (8 per cent), and telecom (6 per cent).
- NMP will bring in private capital which will be used for infra creation.
- Transactions under NMP are expected to be rolled out through a range of instruments.
- Additionally, these include direct contractual instruments such as public private partnership concessions and capital market instruments such as Infrastructure Investment Trusts (InvIT) among others.

- But the choice of instrument will be determined by the sector, nature of asset, timing of transactions, target investor profile and the level of operational or investment control envisaged to be retained by the asset owner etc.

Industry Reaction

- EY India's Partner, Infrastructure Practice, Abhaya Agarwal: "A four-year NMP to monetise Rs 6 trillion of brownfield infrastructure assets across sectors will definitely boost investors' confidence by providing sufficient clarity on the number, size and type of assets that would be made available in the market."

"Success of the plan could also enable recycling of funds which will be critical for revival of the infrastructure investment in India. However, meticulous planning, project packaging, and coordination will be needed to address the underlying structural and legacy issues."

- KPMG in India's Partner, and Head, Infrastructure, Manish Aggarwal said:

"With the announcement of NMP, and laying out a clear roadmap for the same, we have got 'serious' investor attention across the globe after a while."

"Long term investors interested in Infrastructure investments always wanted to know what's next?"

Conclusion

NMP is necessary for India to create employment and trigger high economic growth as well as generate the much-needed infrastructure giving India Inc the cost advantage it requires to be competitive globally.