

F. No. 2/4/2021-PPP
Government of India
Ministry of Finance
Department of Economic Affairs
PPP Cell

North Block, New Delhi
Dated 13th September, 2021

Office Memorandum

Subject: Record of Discussion of the 105th PPPAC meeting to consider project proposal from Ministry of Petroleum & Natural Gas for asset monetization of two natural gas pipelines of GAIL through the InvIT.

The undersigned is directed to forward the Record of Discussion of the 105th Meeting of the PPPAC held to consider the project proposal of from Ministry of Petroleum & Natural Gas for asset monetization of two natural gas pipelines of GAIL through the InvIT, held on 27th August, 2021, for information and necessary action.

Encl: As Above


(Dr. Molishree)

Deputy Secretary to the Government of India

To,

1. Finance Secretary & Secretary, D/o Expenditure, North Block, New Delhi
2. CEO, NITI Aayog, Yojana Bhawan, New Delhi
3. Secretary, D/o Legal Affairs, Shastri Bhawan, New Delhi
4. Secretary, Department of Public Enterprises
5. Secretary, Department of Investment and Public Asset Management

Copy to:

1. CMD, GAIL
2. Sr. PPS to Secretary, DEA
3. Sr. PPS to Joint Secretary (IPF), DEA

Minutes of meeting of the 105th PPPAC Committee to consider the proposal of M/o PNG for asset monetization of two natural gas pipelines of GAIL through the InvIT

The 105th Meeting of PPPAC chaired by Secretary, DEA was held on 27th August, 2021 at 12:15 PM to consider the proposal of M/o PNG for asset monetization of two natural gas pipelines of GAIL through the InvIT. List of Participants is enclosed at **Annexure I**.

Particulars of Project Proposal for consideration of PPPAC	
Proposal	Asset Monetization of two natural gas pipelines through the InvIT
Administrative Ministry/ Department	M/o Petroleum and Natural Gas (M/o PNG)
Implementing Agency	Gas Authority of India Ltd. (GAIL)
Assets	a) Dabhol-Bengaluru pipeline (DBPL) - Maharashtra, Goa, Karnataka b) Dahej-Uran-Panvel-Dabhol pipeline (DUPL-DPPL) Gujarat, Maharashtra, UT of Dadra-Nagar-Haveli
Gross Blok of the Two Pipelines	Rs. 5,000 Crore (Approx.)
Considered by PPPAC	In Principle Approval

1. JS, DEA welcomed the participants to the 105th meeting of the PPPAC and apprised the PPPAC that the proposal for "In-Principle Approval" has been received from M/o PNG asset monetization of two natural gas pipelines of GAIL through creation of Infrastructure Investment Trust (InvIT) in accordance with the procedure prescribed by SEBI InvIT regulations for identified pipeline asset of GAIL either through transfer of asset or through leasing/concession agreements. The proposal has been appraised by the PPPAC members & appraisal note along with comments has been sent to M/o PNG.

2. JS, DEA further apprised that at present, the PPPAC considers projects which are on PPP mode, however, the current proposal is being taken up for consideration pursuant to the recommendations of the Core Group of Secretaries for Asset Monetisation (CGAM) wherein, inter-alia, it was recommended that *'All Ministries/Departments may consider adopting the process of having asset monetization proposals appraised by PPPAC before submitting to the CCEA/Cabinet for approval in the interest of time.'*
3. M/o PNG was then invited to make the presentation and M/o PNG apprised the PPPAC that they have initiated a proposal to create a InvIT by GAIL as per SEBI InvIT regulations 2014 trust. With the InvIT framework, GAIL would be in a position to monetize assets either through asset transfer or leasing/ concession agreement for which two pipeline assets with gross block about Rs. 5000 Crore for DUPL-DPPL and DBPL have been identified. M/o PNG said that actual valuation is expected to be higher than the Gross Block due to better growth potential considering evolving Indian gas market, utilization of the pipeline assets, etc.
4. M/o PNG informed that it is envisaged to monetize the existing identified pipeline assets of GAIL through InvIT mechanism to provide a new source of funding for infrastructure development. Proceeds from the InvIT transaction is to be used by GAIL entirely, for fresh investment for the transmission network expansion and other capital-intensive schemes.
5. M/o PNG further informed that since Tariff is regulated, Returns are limited @ 12% with the volume risk with pipeline developer. Further, GAIL's assets are mostly utilized for its own gas marketing volume and internal consumption. Under the present proposal, assets need to be returned back to GAIL after the completion of the economic life as there will be no Return on asset after completion of economic life. It was also informed that GAIL has appointed their Transaction Advisor (TA).
6. M/o PNG thereafter submitted the following proposals for consideration of the PPPAC: -

- a) GAIL to setup InvIT and create asset holding SPV(s) for transfer/ concession/lease of assets.
- b) Change in CPSE character of the SPVs after monetization of InvIT units
- c) Assets to be handed back to GAIL after completion of economic life
- d) Relaxation from DPE guidelines for delegation of powers to Maharatna CPSEs, for equity investment limit of Rs. 5,000 Cr. in one project with overall limit of 30% of net worth for equity investment in JV/ Subsidiary for investment in proposed SPV,
- e) Special provisions of waiver of stamp duty/GST on transfer of assets/ leasing agreements to minimize financial loss due to tax. Else, transactional cost may be allowed to be recovered in Transportation Tariff as historical cost of acquisition under PNGRB Regulations
- f) Special provisions of waiver of capital gain tax on sponsor on sale of InvIT units to protect value for existing shareholders
- g) Pay and perks of employees needs to be protected. Consolidated financials of GAIL along with its wholly owned subsidiaries to be considered for purpose of Pay, Perks, PRP etc.
- h) Provide sufficient flexibility to a Maharatna entity (GAIL) for deciding project parameters like tenure, transaction structure, terms of the concession agreement etc., to protect the interest of all the stakeholders.

7. Then, with the permission of Chair, the following were discussed: -

- a. The Chair observed that the purpose of Asset Monetization is to generate upfront resources for expanding capital outlay and further leveraging those resources for enhanced CAPEX. This primary goal should be the guiding principle for taking up Asset Monetization proposals and as such, future investment proposal should be lined up for the proceeds generated.
- b. The Chair also observed that in the present case, GAIL appears to have fiscal space to raise resources through debt as its Debt Service Coverage