

# PGINvIT — A Strategic Innovation in India's Power Infrastructure Financing

India's energy transition and grid expansion ambitions require massive capital mobilisation – far beyond what public sector balance sheets can sustain alone. One of the smartest financial innovations in recent years in the power sector has been [PowerGrid Infrastructure Investment Trust \(PGInvIT\)](#) – the country's first listed power-sector InvIT, sponsored by [Power Grid Corporation of India Limited](#).

Launched in May 2021, PGINvIT has unlocked a new way to monetise mature, regulated infrastructure assets, bring in long-term capital, and create stable yield opportunities for investors.

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## What PGINvIT Achieved

### Capital Recycling for the Sponsor:

Powergrid transferred operational transmission assets (-3,700+ circuit km, 3 substations) into PGINvIT, received upfront cash, and freed up capital to invest in new grid projects – all while retaining operational control through a management agreement.

### Stable Yield for Investors:

PGInvIT offers regular distributions backed by long-term Transmission Service Agreements (TSAs) and centralised

payment mechanisms. Investors – from pension funds to retail unitholders – have enjoyed double-digit distribution yields and steady cash flow visibility.

### Systemic Sector Benefit:

This structure brings private capital into brownfield infra, helps the government reduce borrowing pressure, and creates a liquid investment instrument on Indian exchanges. PGINvIT has shown how a regulated sector with predictable cash flow can support a deep capital market product.

### Snapshot of Returns (as of Oct 2025)





| Tenure   | Price Return | Distribution Return | Total Return |
|----------|--------------|---------------------|--------------|
| 3 months | 4.1 %        | 3.2 %               | 7.3 %        |
| 6 months | 24.4 %       | 3.8 %               | 28.2 %       |
| 1 year   | 7.2 %        | 10.1 %              | 17.3 %       |
| 3 years  | -32.0 %      | 23.9 %              | -8.1 %       |

While the price has been volatile over three years, the distribution yield remains the anchor of the total return – making InvITs particularly attractive for income-focused investors.

### Why It's Harder for Generators to Replicate This






Unlike transmission, power generation (especially merchant generation) faces revenue volatility and counterparty risk, making it harder to promise stable yields to InvIT investors.

Key hurdles for generators include:

-  Unpredictable cash flows in merchant power sales.
-  Regulatory uncertainty on tariffs or fuel pass-through.
-  Lower credit ratings compared to transmission assets, increasing required yields.
-  Complex structuring required to ring-fence risks and build investor confidence.

## But Not Impossible – Mitigating the Challenges

Forward-looking generators can unlock similar benefits by adapting their business models and financing strategies:

-  PPA-Backed Cash Flows: Secure long-term offtake agreements or hedged merchant portfolios to reduce volatility.
-  SPV Ring-Fencing: Move operational assets into SPVs with clean titles, stable balance sheets, and transparent contracts.
-  Hybrid Portfolio Structure: Blend PPA-backed generation with stable ancillary revenues to offer predictable InvIT distributions.
-  Regulatory Clarity & Ratings: Engage early with SEBI, credit rating agencies, and investors to build a robust InvIT structure.
-  Attract Institutional Capital: Target pension funds, SWFs, and insurance investors seeking long-duration yield.

If structured right, a generator-backed InvIT can lower cost of capital, monetise mature assets, and scale faster – just as PGInvIT did for transmission.

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## Why This Matters Now

- India's grid and clean power build-out requires ₹30+ lakh crore over the next decade.
- Transmission InvITs have proven the model works.
- Generation InvITs can unlock billions in private capital – if structured carefully.
- For investors, InvITs offer a yield-oriented, lower-volatility alternative to traditional equity.

PGInvIT didn't just raise funds; it created a template for infrastructure monetisation that can inspire the next wave of financing innovation in India's power sector.

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 Key Takeaway:

**InvITs are not just financial instruments – they are strategic enablers.**

**Transmission showed the way.Can Generation follow – with the right structure ?**