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IndInfraVIT Trust and Sadbhav Infrastructure Project Limited (SIPL) enter into definitive agreements for the acquisition of the entire equity holding of SIPL in nine of its operational road projects¹ by IndInfraVIT.

IndInfraVIT Trust (“IndInfraVIT”) and Sadbhav Infrastructure Project Limited (“SIPL”) today executed definitive agreements whereby IndInfraVIT has agreed to purchase the entire equity shareholding of SIPL in nine of SIPL’s operational road projects¹ (“Roads Portfolio”) from SIPL. The transaction values 100% of the Roads Portfolio at an enterprise value of approximately INR 66,100 million².

Upon completion of the transaction, pursuant to the definitive agreements, SIPL will receive the consideration from IndInfraVIT in cash as well as allotment of units of IndInfraVIT; post completion, SIPL will hold not exceeding 10% unitholding in IndInfraVIT.

The transaction is subject to certain regulatory and other customary conditions precedent common in transactions of this nature, including the approval of the relevant regulatory authorities and lenders as well as unitholders of IndInfraVIT and shareholders of SIPL.

The Roads Portfolio comprises seven toll roads and two annuity roads, with total 2,619 lane kms in Gujarat, Karnataka, Maharashtra, Rajasthan and Telangana, some of India’s most economically vibrant states. The roads forming part of the Roads Portfolio have been operational, on an average, for approximately six years, and are used by diverse groups of road users and commercial traffic. The states in which these roads are present contribute c.39% to the GDP and c.28% to the population of India.

IndInfraVIT, sponsored by L&T Infrastructure Development Projects Limited (“L&T IDPL”), currently holds a portfolio of five operational toll road concessions. In addition to L&T IDPL, the other unitholders include Allianz insurance companies represented by Allianz Capital Partners, Canada Pension Plan Investment Board (“CPPIB”) and OMERS Infrastructure.

This transaction is in line with IndInfraVIT’s strategy to acquire additional road projects in India, and significantly expands IndInfraVIT’s current portfolio.

SIPL is a leading Indian road developer, majority of which is owned by Sadbhav Engineering Limited (“SEL”). Both SIPL and SEL are entities listed on the stock exchanges in India. Post the completion of this transaction, SIPL will continue to own three operational road project companies and 12 under-construction road projects under the Hybrid Annuity Model. SIPL will continue to focus on its core expertise of development of new roads and utilise the sale proceeds from this transaction to recycle capital in to bidding for new road projects, inject equity in current under-construction projects and prepay debt.

¹ Stake in one project is currently held by SEL, parent of SIPL

² Subject to certain adjustments in accordance with the terms and conditions of the relevant definitive agreements and compliance with requirements of applicable law

“The proposed acquisition of Sadbhav’s completed and revenue generating road assets by the IndInfraVIT Trust is a landmark deal, which we anticipate will generate significant economic benefits to both parties. Today’s announcement serves as a clear expression of our intentions to actively pursue growth and expand the IndInfraVIT Trust’s revenue base. Further, the InvIT platform clearly underlines how India remains an attractive destination for serious and committed long-term investors, and we look forward to more such transactions in the near future,” said J. Subramanian, Chief Executive, LTIDPL InvIT Services Limited (Investment Manager-IndInfraVIT).

“As a long-term investor, we are very glad that our customers can benefit from the growth potential of the Indian economy while contributing to its core infrastructure. We look forward to working jointly with our partners on these assets which are crucial for the economic and social development of the region and make a strategic fit to the diversification of our portfolio,” said Christian Fingerle, Chief Investment Officer at Allianz Capital Partners.

Scott Lawrence, Managing Director and Head of Infrastructure at CPPIB, said, “Our investment in IndInfraVIT Trust reflects our long-term confidence in the Indian infrastructure market and our belief in the ability of these toll roads to deliver strong risk-adjusted returns. The IndInfraVIT Trust, established by our investment partner L&TIDPL, was the first private InvIT of its kind in India, and we have been involved since its inception. We now look forward to the growth that is expected through our additional investment in these operating road assets.”

CPPIB expects its financial commitment in connection with the proposed transaction to be up to C\$220 million.

“We are proud to support this further growth of the IndInfraVIT platform, and look forward to working with our fellow unitholders and Sadbhav to create additional value together. Our investment in IndInfraVIT represents one more example of how OMERS Infrastructure continues building a diverse portfolio of high-quality global assets to pay pensions to our members,” said Ralph Berg, Executive Vice President and Global Head of OMERS Infrastructure.

Shashin Patel, Chairman, at Sadbhav said, “The transaction and partnership with IndInfraVIT marks a significant milestone for Sadbhav Group. This is a very exciting phase in our journey and we are very committed to delivering growth and value to our shareholders, both at SIPL and SEL. We look forward to our partnership with IndInfraVIT and its marquee set of unitholders. We are committed to continue providing quality maintenance services and project management services to the portfolio.”

Ambit Private Limited acted as the exclusive financial adviser to IndInfraVIT.

Morgan Stanley acted as the exclusive financial adviser to SIPL.

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