Listing of NHAI

Why in news?

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Union ministry of Road transport is planning for initial public offering or IPO of National Highways Authority of India (NHAI).

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What is an IPO?

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- An initial public offering, or IPO, is the very first sale of stock issued by a company to the public.
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- Until a company's stock is offered for sale to the public, the public is unable to invest in it.
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- Prior to an IPO the NHAI has shareholders made up primarily of early investors i.e. government itself or its authorised firms.
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- By now any individual or institutional investor who wasn't involved in the early days of the NHAI's capital, can buy the shares.
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What is the need for such proposal?

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- Roadways ministry has long argued that there is "no shortage" of money but due to changing economic trends, it came up with the plan of IPO.
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- Due to bad debts and NPAs the government is not so confident in investing on infrastructure projects.
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- Banks are taking too long to approve the financial closure of highway projects, sometimes taking as much as an entire year.

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What are the positive outcomes of this?

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- **Revenue escalation -** This would open up an additional source of revenue, which the authority could use to finance projects under the engineering-procurement-construction (or EPC) financing structure.
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- **Boosts accountability -** Listing NHAI inevitably leads to pressures towards increasing transparency in its operation, and being accountable to the public.
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- **Eliminates corruption-**It has become increasingly clear that the NHAI could benefit from such transparency, and will lead to eliminating corruption.
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- **Promotes Reputation -** Due to series of allegations the roads sector does not have a healthy reputation overall, listing the NHAI would take an important step in that direction.
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- **Performance upgrade -** There is a huge gap between actual achievementsof road building from the target of 40Kms/day, this IPO plan will resolve the issue.
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Source: Business Standard

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