

Funding Options

Infrastructure Investment Trusts (InvITs)

1. What are Infrastructure Investment trusts (InvITs)?

An Infrastructure Investment Trust (InvITs) is like a mutual fund, which enables direct investment of small amounts of money from possible individual/institutional investors in infrastructure to earn a small portion of the income as return. InvITs work like mutual funds or real estate investment trusts (REITs) in features. InvITs can be treated as the modified version of REITs designed to suit the specific circumstances of the infrastructure sector.

2. What is the procedure for registering as an InvIT?

No person shall act as an InvIT unless it has obtained a certificate of registration from the Board under SEBI (Infrastructure Investment Trusts) Regulations 2014. An application for grant of certificate of registration as InvIT shall be made by the sponsor on behalf of the trust in Form A as specified in the Schedule I of SEBI (Infrastructure Investment Trusts) Regulations 2014 and shall be accompanied by a non-refundable application fee as specified in Schedule II. The Board on being satisfied that the applicant fulfils the requirements shall send intimation to the applicant and on receipt of the payment of registration fees as specified in Schedule II, grant certificate of registration in Form B under Schedule I. Please refer to section 3 and 6 of SEBI (Infrastructure Investment Trusts) Regulations 2014 at the link for more information.

3. What is meant by 'Eligible infrastructure project'?

Eligible infrastructure project' means an infrastructure project which, prior to the date of its acquisition by, or transfer to, the InvIT, satisfies the following conditions: i) For PPP projects: a) the Infrastructure Project is a completed and revenue generating project, or the Infrastructure Project, which has achieved commercial operations date and does not have the track record of revenue from operations for a period of not less than one year. b) the Infrastructure Project is a pre-COD project: ii) In non-PPP projects, the infrastructure project has received all the requisite approvals and certifications for commencing construction of the project. Please refer to section 2(o) of SEBI (Infrastructure Investment

Trusts) Regulations 2014 at link for more information.

4. What are the key conditions regarding qualification of Sponsor(s)?

The term 'sponsor' means any company or LLP or body corporate which sets up the InvIT. Each sponsor must have a net worth of not less than US\$15.38 mn if it is a body corporate or company; or Net tangible assets of value not less than US\$15.38 mn in case of an LLP. The sponsor(s) together shall hold not less than 15% of total units of InvIT on a post-issue basis for a period of at least 3 years from the date of listing, subject to following: a) Sponsors would be responsible to the InvIT for all acts, omissions and representations/covenants; b) Sponsor/associate of the sponsor shall act as the project manager for a minimum period of 3 years unless a suitable replacement is appointed by unitholders. However, this conditions shall not apply if the sponsors hold a minimum of 25% stake on post-issue basis for at least 3 years from the date of listing c) Minimum experience of 5 years in infrastructure sector for each sponsor and where sponsor is a developer, at least 2 projects of sponsor should be completed. Please refer to section 4(d) of SEBI (Infrastructure Investment Trusts) Regulations 2014 at link for more information.

5. What are the key conditions regarding qualification of Investment Manager?

The key conditions are: • Net worth (net tangible assets in case of an LLP) of not less than US\$15.38 mn if the investment manager is a body corporate or a company. • Experience of not less than five years in fund management or advisory services or development in the infrastructure sector. • Has not less than two employees who have at least five years experience each, in fund management or advisory services or development in the infrastructure sector. • Has not less than one employee who has at least five years experience in the relevant sub-invest. • Has not less than half of its directors in case of a company or members of the governing board in case of an LLP as independent and not directors or members of the governing board of another InvIT. • Has an office in India from where the operations pertaining to the InvIT is proposed to be conducted. Please refer to section 4(e) of SEBI (Infrastructure Investment Trusts) Regulations 2014 at link for more information

6. What are the requirements regarding disclosures under InvIT regulations?

• A privately placed InvIT shall ensure that disclosures in the placement memorandum are in accordance with the sub-regulation (4) of regulation 15 and any circulars or guidelines issued by the Board in this regard. • A publicly offered InvIT shall ensure that the disclosures in the offer document are in accordance with the Schedule III and any circulars or guidelines issued by the Board in this

regard. • The investment manager of all InvITs shall submit an annual report to all unit holders electronically or by physical copies and to the designated stock exchanges within three months from the end of the financial year and half-yearly report to the designated stock exchange within forty five days from the end of the every half year ending March 31st and September 30th. Such annual and half yearly reports shall contain disclosures as specified under Schedule IV. • The investment manager shall disclose to the designated stock exchanges any information having bearing on the operation or performance of the InvIT as well as price sensitive information Please refer to section 23 of SEBI (Infrastructure Investment Trusts) Regulations 2014 at link for more information

7. What are the conditions regarding issue and allotment of units in InvITs?

• An InvIT shall not make an initial offer of its units unless: • The InvIT is registered with the Board under these regulations; • The value of assets held by InvIT is at least INR 500 crores; • The offer size is at least INR 250 crores • Slabs for minimum offer size and public float: • If post issue capital is less than INR 1600 crores: minimum 25% of the total outstanding units of the InvIT or INR 250 crores, whichever is higher • If post issue capital is equal to or more than INR 1600 crores but less than INR 4000 crores: minimum INR 400 crores • If post issue capital is equal to more than INR 4,000 crores: minimum 10% of the total outstanding units of the InvIT • Any units offered to sponsor or manger or their related parties or their associates shall not be counted towards units offered to public • Public float in all cases shall be increased to a minimum of 25% within a period of three years from the date of listing • In case of a privately places InvIT, minimum investment from an investor should be INR 1 crore. However, if such InvIT invests or proposes to invest 80% or more of the value of InvIT assets, minimum investment from an investor shall be INR 25 crore • In case of a public InvIT, minimum subscription from an investor in initial and follow on offer to be INR 10 lakh • Maximum 10% of the amount raised by InvIT by public issue of units could be used for 'general purposes' as mentioned in the offer document. Issue related expenses shall not form part of general purpose. • Minimum subscription amount shall be 90% of the fresh issue size as specified in the offer document • If the InvIT fails to make any offer of its units, whether by way of public issue or private placement, within 3 years from the date of registration with the Board, it shall surrender its certificate of registration to the Board and cease to operate as an InvIT Please refer to Chapter IV of SEBI (Infrastructure Investment Trusts) Regulations 2014 at link for more information

8. What is the qualification criteria with regard to the Trustee in invITs?

• The trustee is registered with the Board under Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993 and is not an associate of the sponsor(s) or manager. • The trustee has such wherewithal with respect to infrastructure, personnel, etc. to the satisfaction of the Board and in

accordance with circulars or guidelines as may be specified by the Board. Please refer to section 4(g) of SEBI (Infrastructure Investment Trusts) Regulations 2014 at link for more information.

9. What are the investment conditions for InvITs?

For the investment conditions, one may refer to Chapter V of the InvIT Regulations at the link.

10. Which are the registered InvITs under SEBI?

The list of SEBI registered InvITs as on February 16, 2017 is available at the link.

11. Which are the registered Infrastructure Investment Trusts under Securities and Exchange Board of India?

The list of SEBI registered InvITs can be accessed from here.