2022 INDIA DEBT CAPITAL MARKET SUMMIT

TRUST
In Partnership. With Trust.

REITs & InvITs:
MONETIZATION TO MOBILIZATION

2022

INDIA DEBT CAPITAL MARKET SUMMIT

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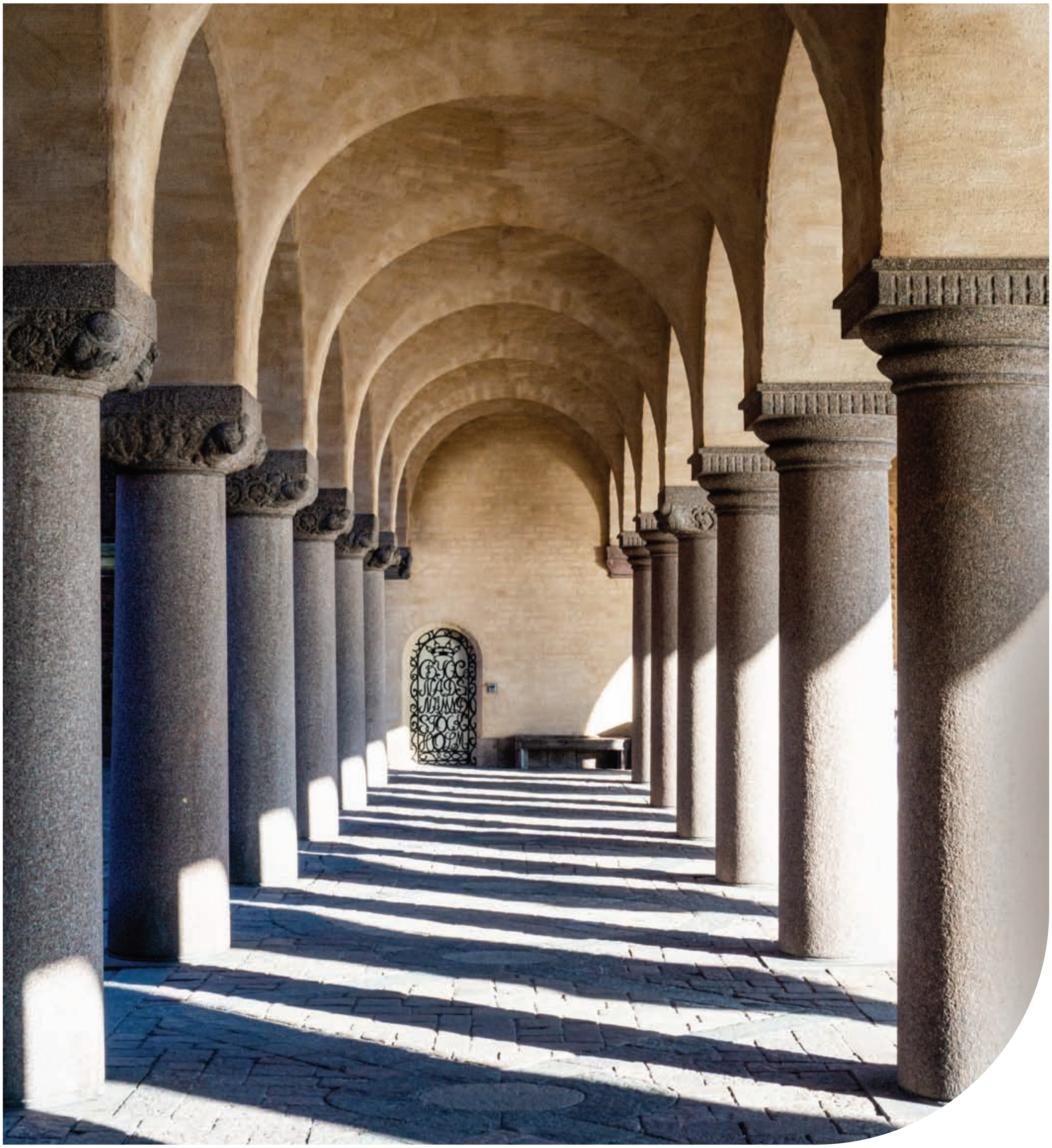

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FOREWORD

India is an idea whose time has come. Against the challenging global environment, elevated inflation and monetary policy tightening across nations, economic activity in India remains stable. With the target GDP growth of India at 8%, we foresee Indian Debt Capital Markets to play a pivotal role to support this growth.

The Indian debt capital market has been evolving rapidly, and we believe is at an inflection point. The last few years has witnessed the debt market expanding boundaries, deepening the availability of credits, and reaching new heights of volume and spread of transaction structures. As we say, Latius (Wider), Altius (Deeper) and Altior (Higher).

Since 2002, Trust has been pivotal in supporting the growth of the Indian bond market, being at the forefront of innovation and continually aligning ever-evolving investor and issuer requirements. We have been collaborating across all stakeholders on innovative product offerings, agility in solutions and work towards deepening the Indian Debt Capital Market.

TRUST India Debt Capital Market Summit will showcase the emerging growth pillars of the Indian economy and the Indian bond market's contribution to the growth. The summit aims to provide a platform for issuers and investors to interact and showcase the spread of credits available across sectors for investors to understand and assess the opportunities.

One of the key pillars for India's growth is "REITs and InvITs" a unique investment model supporting monetization of assets for sectors with long term capital needs and providing a new investment avenue for long term oriented foreign and domestic investor pools including high networth individuals (HNIs), family offices and retail investors. Over the past five years, the total bond issuances have been Rs 6-7 lakh crore per annum. REIT and InvITs have gained significance in last 2 years due to superior credit profiles, strong cashflows and support from strong sponsors. REITs and InvITs have enabled large EPC and real estate developers to efficiently monetize their operational assets and deploy capital to support growth of new projects.

We believe, with this model already reaching a little over Rs. 4.43 lakh crores of AUM, it could grow further by monetizing assets from many sectors like schools, warehouses, airports and other asset heavy sectors that have stable long term cashflows through their contractual agreements. These models have demonstrated its ability to mitigate risks and monitor cashflows with bond investors participating in their debt issuances ranging from 3 years to 25 years. The credit ratings have been supportive due to low leverage and robust financials with 95% of REITs and InvITs awarded AAA ratings.

The regulatory support to encourage long term domestic pools of capital like insurance, pension and provident funds is evident in the investment guideline changes. Large foreign investors have established their presence to support India infrastructure sector through investments in these instruments.

The REIT and InvITs compendium aims to provide an industry overview, bond market issuance analysis, profile of select issuers and opinion from industry experts. We are pleased to have CRISIL as our Knowledge Partner for part of the compendium covering the industry and the players.

We believe, it's an opportune time to explore the new phase of growth and development of the Indian Debt Capital Markets at TRUST's "India Debt Capital Market Summit"- a platform to engage and understand the perspectives from issuers and investors to better align the requirements, mitigate risks and support the development of capital pools. The evolving and developing trends bring the Indian debt market at an inflection point which can aid to achieving the dream of making India a USD 5 trillion economy.

TRUST Team

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Landscape of REITs And InvITs

November 2022

Knowledge Partner

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Summary

REITs and InvITs: A huge opportunity exists in the relatively nascent monetisation models

REITs and InvITs are relatively new in the country's infrastructure and realty funding landscape, but have established their presence as a relatively safe, transparent, and easier alternative mode of funding for capital-intensive projects such as commercial real estate, power generation, transmission, and roads, which have long gestation periods.

To be sure, the share of REITs and InvITs is very low in terms of quantum and market capitalisation, both in the Indian real estate and infrastructure space and compared with established global counterparts.

However, supportive features such as mutual fund linkages, easy entry and exit for listed REITs and InvITs, diversification of holdings, tax pass-through for business trusts, and dual-gain opportunities make them hot prospects in the current market scenario.

Added to this, supportive measures from the government, such as the National Monetisation Pipeline (NMP), regulatory changes over the years from the Securities and Exchange Board of India (SEBI) - the regulator for REITs and InvITs - and opportunistic funding from investors are driving growth in monetisation of assets in the real estate, roads and power assets space.

In the context, REITs and InvITs present an opportunity of ~Rs 1.5-1.6 trillion and Rs 3-3.5 trillion, respectively. The share of assets to be monetised in the commercial real estate space stands at 25-30% of the total Grade A commercial real estate stock in the country. The roads monetisation opportunity, which stands at Rs 3-3.5 trillion, represents the enterprise value (EV) potential of roads asset monetisation of the government as well as private players.

Asset monetisation models have improved over the years

Asset monetisation is the process of creating various sources of revenue for the government or developers by way of selling or monetising unutilised or underutilised public assets, which include roads, railways, airports, oil and gas pipelines, mobile towers and transmission lines.

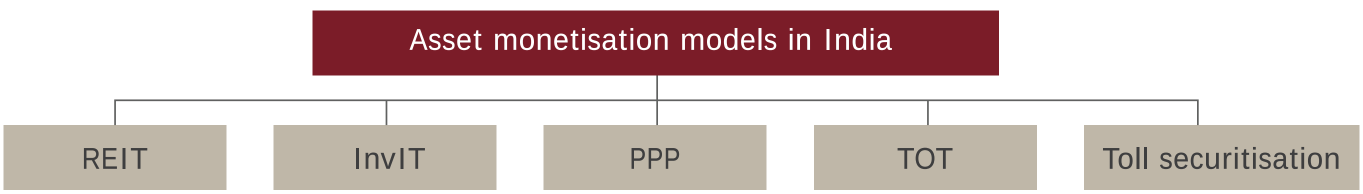
The differentiating factor for asset monetisation from physical sale of assets and privatisation is that public infrastructure assets are offered to institutional investors and private players through various structures, including business trusts.

Asset monetisation has two important advantages: First, it unlocks value from public investment in infrastructure. Secondly, it utilises productivity in the private sector. Asset monetisation aims to tap the private sector investment for new infrastructure creation.

The government of India announced the NMP worth Rs 6 trillion in 2021 and aims to serve as a guideline for the asset monetisation of several brownfield infrastructure assets across sectors, including roads, railways, aviation, power, oil and gas, and warehousing.

Over years, various asset monetisation models have developed for utilising the full potential of the underutilised assets; some key models are discussed below in detail.

Prevailing asset monetisation models in India



Source: CRISIL Research

REITs: A REIT is similar to a mutual fund for investing in real estate assets. Just as a mutual fund collects money from unitholders and then invests them in equity or debt instruments, a REIT will collect money from investors and invest the money in real estate projects. The REIT will then invest the funds in fully completed and unfinished real estate projects. The returns generated on these real estate investments are then distributed to the investors as dividends. Most REITS are medium-term gestation projects.

InvITs: A slight variation of REITs, the InvITs only invest in infrastructure projects with long gestation periods. Thus, a massive road project or highways project or even massive irrigation projects can attract InvITs to invest in them. It may be noted that IRB Infrastructure has recently proposed to launch an InvIT and raise funds from the public. Whatever returns generated by the infrastructure project in the form of toll charges will be distributed to the InvIT investors as dividends.

Public-private partnerships (PPP): A public-private partnership is a term given to a collaboration between a government agency and a private-sector company that can be used to finance, build, and operate projects largely in the infrastructure domain. Financing a project through a PPP can allow a project to be fast-tracked or make it a possibility in the first place. PPPs often involve many regulatory benefits, such as concessions of tax or other operating revenue, protection from liability, or partial ownership rights over nominally public services and property to the private sector.

The tenure of PPPs is typically 20 to 30 years or longer. Financing comes partly from the private sector, but requires payments from the public sector and/or users over the project's lifetime. The private partner articipates in designing, completing, implementing, and funding the project, while the public partner focuses on defining and monitoring compliance with the objectives.

Toll-operate-transfer (TOT): The toll-operate-transfer (TOT) method is a new PPP model introduced by the Ministry of Road Transport and Highways (MoRTH) for the maintenance of roads. The model involves leasing out of operational national highways for periods as long as 30 years to collect toll revenue in return for one-time upfront payment to the government. The successful implementation of this model is essential to the sector, given:

- Weak financial position of road developers, resulting in most projects now being executed using public funds, thereby putting stress on the National Highways Authority of India's (NHAI) funding position.
- Increased awarding on EPC contracts will translate into more projects to be maintained by the NHAI, thereby utilising NHAI's bandwidth and funds. Around 6,500 km are being maintained by the NHAI today and this number is expected to more than double over the next five years.
- Weak participation of O&M players in existing PPP models for maintenance (OMT) due to problems experienced in the past. Only about 6-7 O&M players in the country continue to participate in OMT projects today.

The projects to be offered under the TOT model were mostly built using public funds (cash contracts or engineering, procurement and construction contracts). However, as of now, the government also proposes to offer a few annuity projects under the TOT model, wherein the original concessionaire will be responsible for maintaining the road until the end of the concession period, while the TOT concessionaire will only be responsible for tolling. At the end of the annuity concession period (called the operations and maintenance or O&M handover date), the TOT concessionaire will take over the maintenance.

The NHAI planned to offer projects in bundles, with each bundle comprising projects, which may be:

- Contiguous to ensure operational efficiency, or
- Diversified across states to reduce region-specific traffic risk

Toll securitisation: Toll securitisation is a more recent phenomenon implemented by the NHAI allowed in 2019 to raise long-term financing from banks against toll receipts from fee plazas as an alternative mode of asset monetisation.

REITs and InvITs widen funding options for large projects

What are REITs and InvITs?

The Securities and Exchange Board of India (SEBI) notified regulations for investment trusts – specifically, real estate investment trusts (REITs) and infrastructure investment trusts (InvITs) – in September 2014.

An investment trust is a vehicle created to primarily invest in revenue-generating real estate or infrastructure assets. These entities are ‘trusts’ by definition, and their ‘units’ (shares) are to be mandatorily listed on stock exchanges and regulated by SEBI. The units are traded based on their net asset value.

These entities have a pass-through structure and are, therefore, required to distribute majority of their earnings to unit holders. Globally, these are positioned as high dividend-paying investments suitable for investors looking for long-term, stable cash flow with moderate capital appreciation.

Operating conditions for REITs and InvITs in India largely similar with few differentiations

Operating conditions for REITs and InvITs in India

Structure of Trust

- Investment nature
- Mandatory sponsor holding
- Restrictions on investment in under-construction assets
- Controlling interest restrictions
- Operating covenants

Valuation disclosures

- Valuation criteria for listed as well as unlisted REITs and InvITs
- Valuation frequency

Distribution requirements

- Distribution requirements form SPV to trust level (>90% of NDCF)
- Distribution requirements from trust level to unitholdes (>90% of NDCF)

Leverage restrictions

- Debt proportion restrictions for REITs and InvITs
- Qualifying criteria for increased leverage limits for InvITs
- Credit rating requirements

Source: Industry, CRISIL Research

A. Structure of an investment trust

- Trusts invest in assets either directly or through special purpose vehicles (SPVs)
- Sponsor required to mandatory hold not less than 25% of the total units of the REIT after initial offer on a post-issue basis for three years from date of listing. In the case of InvITs, mandatory sponsor holding is 15% for at least three years from the date of listing of such units

- REITs can invest up to 20% in under-construction assets, while public-listed InvITs can invest up to 10%. Private-listed and unlisted InvITs have flexibility in terms of % of total corpus that they can invest in under-construction projects
- Investment trusts are to hold controlling interest and not less than 50% equity share capital or interest in the SPVs (except in the case of public-private partnership projects, where such holding is disallowed by the government or regulatory provisions)
- SPVs are to hold not less than 80% of the assets (90% in the case of InvITs) directly in property (infrastructure projects for InvITs).
- SPVs should not engage in any activity other than those pertaining and incidental to the underlying projects

B. Valuation disclosures

- A full valuation is to be conducted by an independent valuer not less than once every financial year; a half yearly valuation of assets will be conducted by the valuer for the half-year ending September 30 for incorporating any key changes in the previous six months

C. Distribution requirements

- Not less than 90% of net distributable cash flow of the SPV is to be disbursed to the investment trust
- Not less than 90% of net distributable cash flow of the investment trust is to be distributed to unit holders

D. Leverage restrictions

- Aggregate consolidated borrowing and deferred payment of the investment trust, net of cash and cash equivalents, is typically restricted to 49% of the value of the investment trust's assets
- InvITs are allowed to increase their leverage from 49% to 70% if they satisfy the following conditions:
  - Approval from unit holders
  - Credit rating of 'AAA' post increasing leverage to 70%
  - Minimum track record of six continuous distributions
  - Capital released is used to acquire new infrastructure assets
- If the aggregate consolidated borrowing and deferred payment of the investment trust, net of cash and cash equivalents, exceeds 25% of the value of the assets, for any further borrowing, a credit rating is to be obtained from a registered credit rating agency

REITs and InvITs beneficial for stakeholders and economy

Benefits of REITs and InvITs		
Developers	**Investors/lenders**	**Macro economy**
Unlock capital for future growth	Facilitation of easy entry and exit for investors	Free up banking capital, promoting a healthy cycle of funding
Deleverage balance sheet and convert to asset-light model	Retail investors can invest in assets without owning them	Primary and secondary market development
Access to low-cost and long-term capital	Low-risk investment/ lending opportunity	Enhance liquidity in the market by mobilising high-quality debt
Diversify sources of funding	Risk diversification by pooling of various assets	Reduction of stress on the government for funding through asset monetisation
Regular source of capital	Steady long-term yield for investors and lenders	

Source: Industry, CRISIL Research

Benefits to developers

- Developers have easier access to capital through investments from unit holders, helping them access funding for future projects
- Holding assets through a business trust helps developers reduce debt at the trust level as it is transferred to the SPV holdings, which, in turn, helps them deleverage their balance sheet and convert to an asset-light model from a capital-intensive model
- With developers having access to funding through REITs and InvITs, it reduces their reliance on debt for expansion

Benefits to investors

- Investing in REITs provides dual gains from the same asset-dividend income and capital appreciation over the longer term
- Stock exchange tradability provides investors with an opportunity to diversify their holdings into real estate and other infrastructure, such as roads, power generation and transmission, apart from easy entry and exit opportunities, especially for retail investors
- As REITs are strongly regulated by SEBI, it promotes transparency with regards to information on the company – financial, taxation, ownership, etc
- Easy buying or selling makes REIT units highly liquid assets
- Investors can expect risk-adjusted returns and steady cash flow
- InvITs and REITs offer investors an opportunity to have their assets managed professionally

Benefits for the macroeconomy

- Reliance on debt funding reduces in REITs and InvITs as investors – retail or institutional – directly invest in the trust
- REITs and InvITs provide additional avenue of investment, further unlocking the potential of primary and secondary markets

- REITs and InvITs reduce stress on the government and its need of funding through asset monetisation, as it provides a mode to monetise the assets and ensure continuous long-term funding without the need to sell the underlying assets

REITs and InvITs have undergone multiple changes over the years to facilitate easier investment and capital availability

FY15	FY17 & FY18	FY20	FY21	FY22 & FY23
SEBI notified InvIT and REIT regulations	Minimum sponsor holding reduced to 15%	Leverage limits for publicly listed InvITs increased from 49% to 70%^	Induction of new sponsor	Regulations related to preferential issue, institutional placement for listed REITs and InvITs
	Listed REITs & InvITs allowed to raise debt securities	Inclusion of privately placed, unlisted InvITs	Declassification of sponsor	Permission to InvITs and REITs with net worth more than Rs 100 crore to issue commercial papers as long as they are within the prescribed leverage limits
	Compulsory revenue contribution from rent reduced to 51% for REITs	Reduction in minimum subscription requirement	Unit holding by investors can be increased over 25%, with approval from 75% of remaining unitholders**	UPI payment option for retail investors in listed REITs and InvITs for value up to Rs 5 lakh

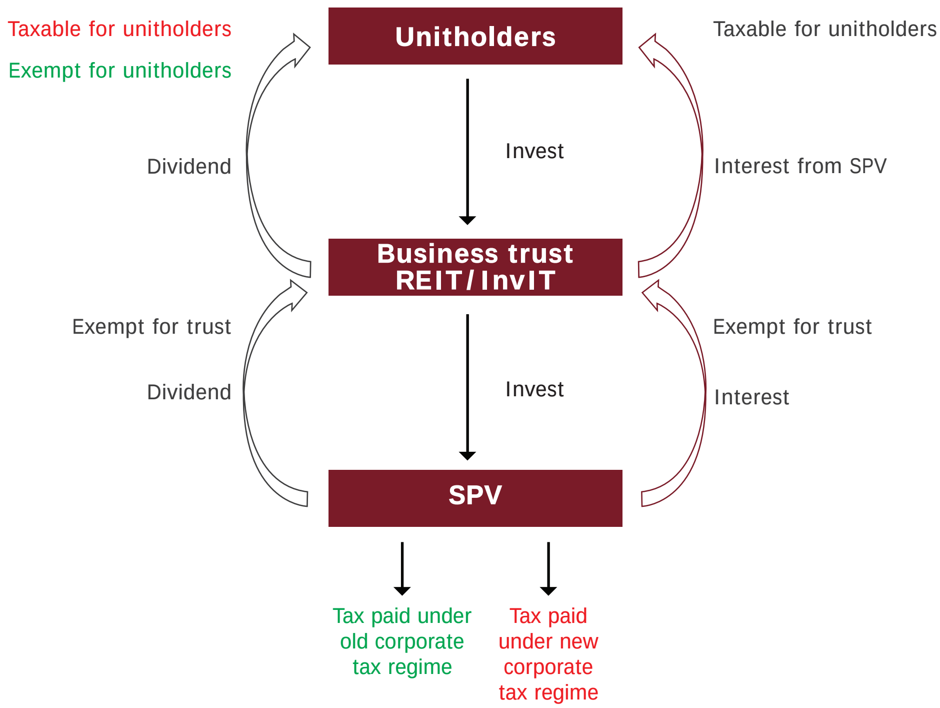
^Provided AAA rating is maintained and the InvIT has a track record of at least six continuous distributions, post listing

**If the required approval is not received, the investor acquiring the units will provide an exit option to dissenting unit holders

Source: Regulatory filings, Industry, CRISIL Research

Ever since the establishment of regulations by SEBI in September 2014, REITs and InvITs have undergone many regulatory changes to facilitate easier investment from the developer as well as the investor. A major change was the increase in leverage limits for InvITs from 49% to 70% in fiscal 2020, in line with their capital-intensive industries. Another key regulation in fiscal 2020 involved inclusion of private, unlisted InvITs, which expanded the space, allowing private players to list as InvITs without having the need of going public.

REITs and InvITs enjoy pass-through status; dividend income is exempt for unit holders under certain conditions



Source: CRISIL Research

Taxation of REITs and InvITs is largely similar in India as the structures are similar with differentiation only in the asset composition. The unit holder invests in units of the business trust (REIT/InvIT), which invests in the SPVs holding the income-generating assets. These trusts invest by way of either equity or debt in the SPVs on which the business trust gets interest and/or dividend.

Business trusts enjoy a pass-through status as these are mandated to distribute 90% of their net distributable cash flow (i.e., income) to unit holders, which means that the tax on interest and dividends is exempt in the hands of the business trust.

However, unit holders are obliged to pay tax on interest from the SPV at pre-defined tax rates. If the SPV has opted for a lower corporate tax rate of 22%, then the dividend is taxable in the hands of the unit holder as per the predefined tax rates. However, the situation changes when dividend is passed through to unit holders from the business trust. In case the SPV continues to pay corporate tax of 30% as per the old regime, this dividend is exempt in the hands of the unit holder.

NMP to play a key role in growth of REITs and InvITs

Investment-led growth is central to the economic agenda of the government and one of the pre-requisites of investment-led growth is capital and asset recycling. Asset recycling and monetisation are key to value reation in infrastructure by serving two critical objectives — unlocking value from public investment in infrastructure and tapping private sector efficiencies in operations and management of infrastructure.

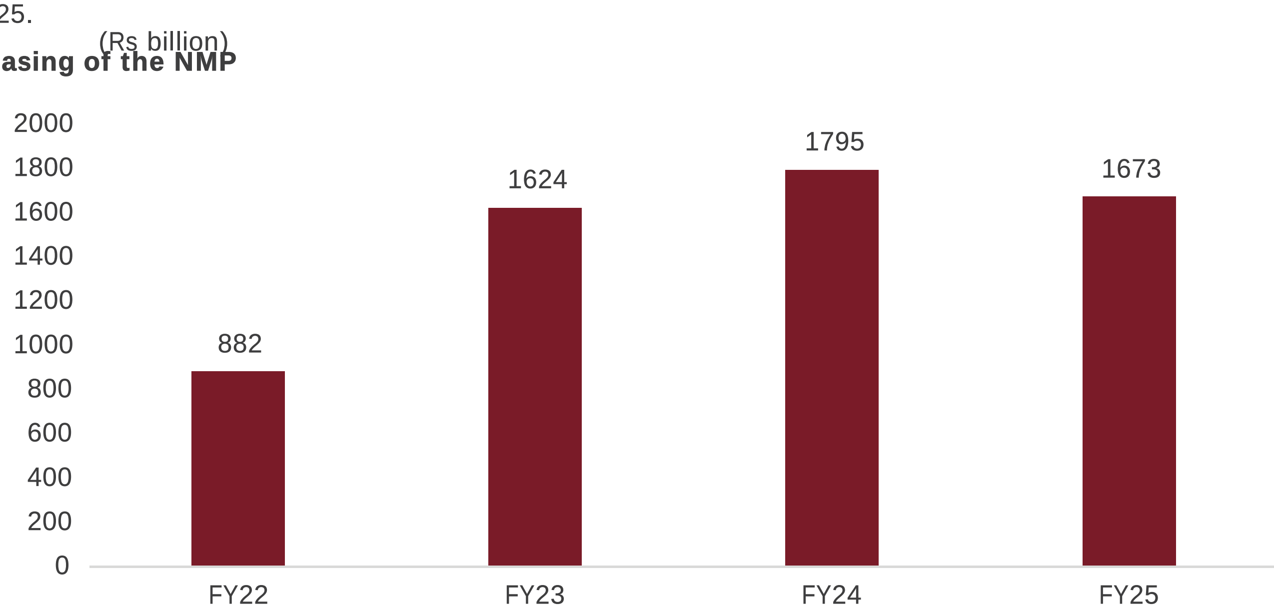
Union Budget 2021-22 identified monetisation of assets as one of the three pillars for enhanced and sustainable infrastructure financing in the country. The Budget also envisioned preparation of the NMP to provide direction to the monetisation initiative and visibility of investors. Asset monetisation, based on the philosophy of 'creation through monetisation', will tap institutional investment and long-term patient capital into stable mature assets, in turn, generating financial resources for new infrastructure asset creation. This will enable economic growth, generating employment opportunities and better prospects for the country's youth.

Asset monetisation has prior success in the roads sector via the toll operate transfer (TOT) model, InvIT, and O&M model. Airports have seen successful monetisation in two phases viz. Delhi and Mumbai in Phase 1 in 2006 and six airports in phase 2 in 2019. The PGCIL InvIT is another instance of a successful transaction in the power sector.

Other infrastructure sub-segments have seen minimal monetisation as acceptable PPP formats are yet to take off and be widely accepted by private entities.

The NMP has been created to be co-terminus with the balance NIP period, 4-year period from fiscals 2022 to 2025.

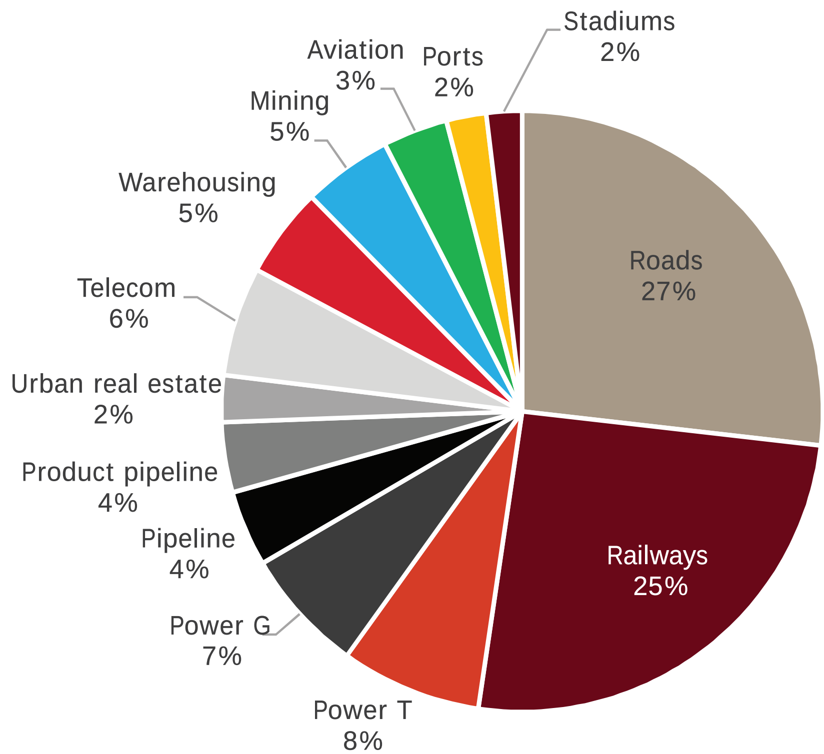
Phasing of the NMP



Source: NMP document, CRISIL Research

The higher achievement over the budget number, if continued over the duration of the NMP, bodes well for the infrastructure build-out signalling a strong secondary demand for revenue-generating infrastructure assets in the country and would aid future infrastructure financing with increased asset recycling.

Sectoral contribution of the NMP



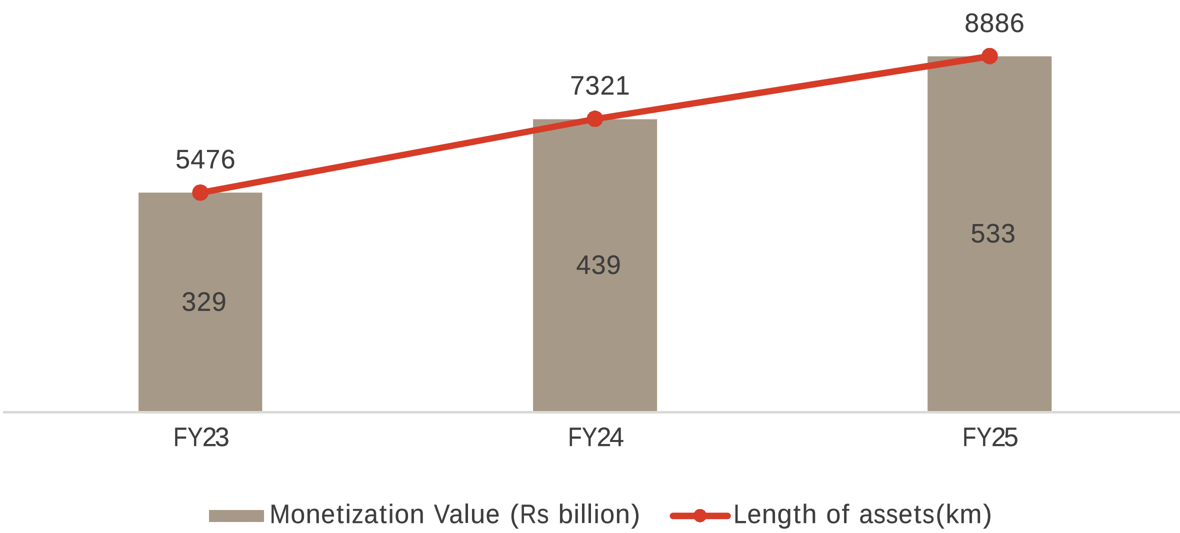
Source: NMP document, CRISIL Research

InvITs nascent in India, offer opportunities galore

Rs 3-3.5 trillion opportunity exists in roads monetisation

Asset monetisation is expected to play a pivotal role in the roads and highways sector in India going forward. In order to facilitate this, the NMP was announced in the Union Budget 2021 with NITI Aayog being entrusted with the mandate to develop NMP. The aggregate value of assets under NMP is estimated at ~Rs 6 trillion. The top five sectors (by estimated value) capture ~81% of the aggregate pipeline value. These top five sectors include: roads (26%) followed by railways (25%), power (16%), gas and product pipelines (10%), and telecom (7%). The length of roads considered for monetisation over fiscals 2023 to 2025 aggregate to 21,600 km.

Yearly break-up of NHAI's target of monetising ~21,600 km of road projects by FY25



Source: NMP document, CRISIL Research

In light of the government's strong thrust towards infrastructure-related capex, there has been a strong momentum in NHAI awarding in recent years. However, in order to fund these projects, NHAI has relied on borrowing which has had a negative impact on its debt to equity, which makes it difficult to raise further external debt. Internal and External Budgetary Resources (IEBR) support to NHAI is also absent in this fiscal's budget. Furthermore, Rs 17-19 trillion is expected to be invested from fiscals 2023 to 2027 with public funds dominating overall spending. Therefore, NHAI's reliance on asset monetisation to meet its funding requirements and achieve the Bharatmala target is expected to go up significantly.

Other modes of funding such as TOT have only seen limited success. Over the past four years, NHAI has been able to successfully monetise ~1,542 km and raise ~Rs 232 billion through TOT. Additionally, NHAI has also been able to successfully monetise another 390 km of operational BOT assets at an enterprise valuation of Rs 80 billion via InvITs. With the implementation of FASTags, TOT becomes more attractive as it allows elimination of handling cash and plugs leakages in the system.

However, of late, awarding of TOT bundles has encountered impediments with certain TOT bundles such as TOT-6 and TOT-8 getting cancelled owing to low bids.

Therefore, convergence of expectations of government authorities and private bidders remains a key monitorable as well as a major requirement for this mode of funding to become truly successful.

Asset monetisation is also beneficial for private players as it helps them free up capital by divesting stake in operational assets and helps recycle this capital to deleverage balance sheets for creating new assets.

Growth in the prevalence of asset monetisation and its immense future potential can be further quantified through the following datapoints:

- Asset sale worth more than Rs 340 billion has taken place in the last three years, which has enabled developers to free up their balance sheets
- Total assets under management (AUM) in InvITs issued by private players stood at Rs 627 billion as of August 2022.
- CRISIL Research estimates that the total balance potential for monetisation of road assets by the government and private players ranges between Rs 3-3.5 trillion. This potential is primarily driven by factors such as higher awarding, steady project pipeline and potential upside from traffic growth.

InvITs, asset sales have helped developers free up their balance sheets; immense potential still remains

Rs 3-3.5 trillion	Balance EV potential of road asset monetisation by the government and private players
Rs 627 billion	EV of 6 InvITs placed and issued by private players
Rs 340 billion	Invested over the past 3 years via asset sales

Source: NHAI, CRISIL Research

In REITs, India far from catching up with global peers

India is one of the leading countries in terms of GDP. However, when it comes to the penetration of REITs, the country lags behind many developed economies, as depicted in the graphic below. The market capitalisation of US REITs accounts for 65-70% of the global REITs market cap. If we account for their contribution to GDP, the share was roughly 6% in 2022. In comparison, India is still at a nascent stage in the adoption and quantum of REITs with the market cap of the three listed Indian REITs at 0.22% in global share. Indian REITs share in terms of its GDP is a meagre 0.3%. This clearly shows tremendous opportunity for growth in future.

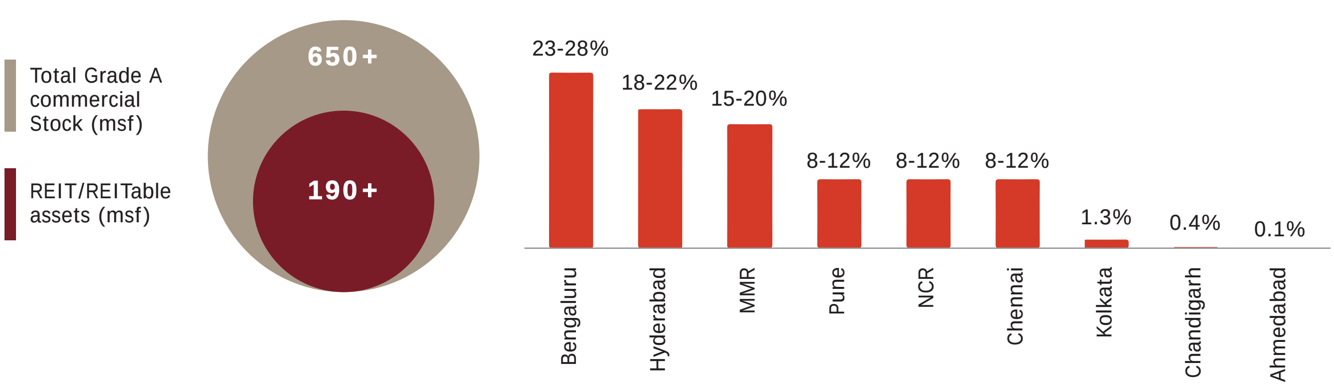
India's share of REIT penetration in GDP is minimal compared with other developed countries

	United States	Singapore	Japan	Hong Kong	United Kingdom	India
Year of Introduction	1960	1999	2000	2003	2007	2014
No of active REITs	183	39	63	9	53	3
Sectoral presence	Commercial offices, retail realty, industrial realty, healthcare, hotels					Commercial realty
Market cap/GDP (%)	6.0	17.6	2.0	5.8	2.3	0.3

Note: Data as per latest available information

Source: EPRA Global REIT Survey 2022, industry, CRISIL Research

REIT/REITable assets account for 25-30% of the total Grade A commercial stock in the country



Note: REIT/REITable assets include the listed REITs and other top developers

Source: Industry, CRISIL Research

The share of REITs in the country has been rising gradually with REITs/REITable assets accounting for 25-30% of the commercial stock in the country. Bengaluru accounts for roughly 1/4th of the total REIT/REITable units in the country, followed by Hyderabad and MMR, which have an almost equal share of 15-20% each. The top six cities-Bengaluru, NCR, MMR, Hyderabad, Pune and Chennai account for more than 90% share. The three listed REITs constitute 10-15% share of the overall commercial stock pie in the country with a lot of developments in the pipeline aiming to push this share even further up in the medium-to-long term.

Rs 1.5-1.6 trillion opportunity exists in REIT/REITable assets

CRISIL Research estimates the total opportunity in the REIT/REITable space to be approximately Rs 1.5-1.6 trillion. This is arrived at by determining the gross asset value of the total REITs and REITable assets which include the Grade A commercial stock of top developers in the country which can be converted into REITs in the future. This presents a tremendous upswing in the future as adoption of REITs increases in the country.

Huge potential for REITable assets in India

Rs 1.5-1.6 trillion	GAV of REITable assets of 140-150 msf*
Rs 888 billion	GAV of 3 listed REITs with operational area of 72.3 msf

Note: *REITable assets of 140-150 msf derived by subtracting operational REITs portfolio of 72 msf from the total potential of

~190 msf and adding future development of ~20 msf

Source: Investor presentations, industry, CRISIL Research

TRUST BOND MARKET PERSPECTIVE

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REITs & InvITs: Monetization to Mobilization

Indian Economy and importance of REITs & InvITs

Recently Indian economy became the 5th largest economy with a GDP of ~$2.96 trillion and is expected to become 3rd largest by FY 2028 with a GDP of $5.36 trillion[1] . To achieve this ambitious target, enabling infrastructure needs to be built expeditiously and efficiently. Despite this achievement in GDP, India still figures amongst the low to middle-income countries due to its low per capita income of $2,321[2] in March 2022.

India must attract large-scale manufacturing activities and integrate with global supply chains to create enough jobs for its people. Lack of adequate infrastructure and the high cost of doing business are cited as reasons for it not be able to do so. Both the cost of setting up and doing business and the logistics costs are high at 13-14% of GDP[3] compared with 6-8% of GDP for China and the US and 8-10% for other countries, making its products uncompetitive.

India faces challenges in building world-class infrastructure due to the limited availability of capital. This lack of capital has been addressed in several ways, like Public Private Partnership, Public markets (listing of equity), Private equity funds etc. However, these mechanisms and sources addressed the problem to a limited extent only. What is required is a seamless way to create infrastructure by investing in the construction of assets and monetizing the assets once they are operational by selling them to investors with a long-term investment horizon. To achieve this, REITs and InvITs have emerged as a solution that not only provides capital release to the developer but also provides long-term stable income streams to the long-term investors (insurance, pension funds etc.)

Global comparison

The concept of REITs was first introduced in the US in the 1960s. Other countries that followed suit were Singapore (1999), Japan (2000), Hong Kong (2003) and the United Kingdom (2007). Globally the REIT model today has been adopted in different sectors, including retail, hotels, commercial offices, healthcare and industrials. The US is the market leader in this segment, with the market capitalization of the US REITs accounting for 65-70% of the global REITs market cap[4].

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[1] SBI Ecowrap dated 03 sept 2022 and IMF World Economic Outlook 2022

[2] https://www.ceicdata.com/en/indicator/india/gdp-per-capita

[3] As per National Infrastructure Pipeline Report, Department of Economic Affairs, Ministry of Finance retrieved from Report of the Task Force National Infrastructure Pipeline (NIP) - volume-i_1.pdf (dea.gov.in)

[4] CRISIL Research

REITs and InvITs are globally accepted investment vehicles with a long track record:

InvIT/ REIT structure varies across countries because of differences in governance, legislation and demographics

	USA	Singapore	Japan	Hong Kong	United Kingdom	India
Year of introduction	1960	2001	2001	2003	2007	2014
Number of active InvITs/REITs	234*	50	65	12	65	16
Sectoral presence	Commercial offices, retail realty, industrial realty, healthcare, hotels, renewable energy, telecommunication, transmission assets, natural gas, energy distribution and network, passive fibre network, power utility, residential broadband, telecom service and infrastructure, railways					Commercial realty, road, power transmission, telecom tower
Market capitalisation ($ billion)	1293	72	112	21	56	17
Market cap/GDP (%)	5.6%	18.1%	2.3%	5.7%	1.8%	0.5%

Source – CRISIL Ratings

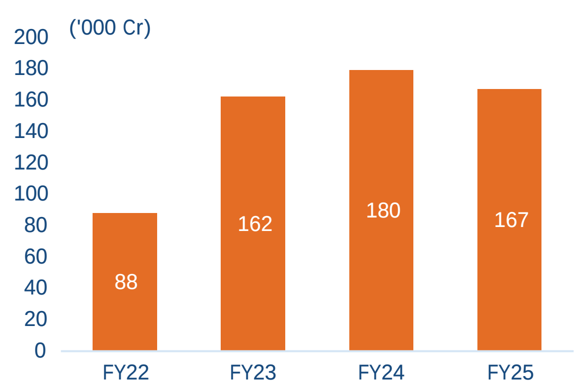
India is at an embryonic stage compared to these developed REIT markets, having adopted this model only in 2014. Since then, 3 REITs have been listed on the Indian stock exchanges, beginning with the first one listed in 2019.

IRB InvIT fund (the first public InvIT) was launched in 2017, followed by IndInfravit (the first private InvIT) in 2018. Since then, the concept has been gaining traction in the Indian markets. With the unveiling of the government's NMP plan, we believe their growth will be further propelled as various instruments, including InvITs, will be utilized to roll out the transactions identified under NMP.

Market Size for REITs & InvITs

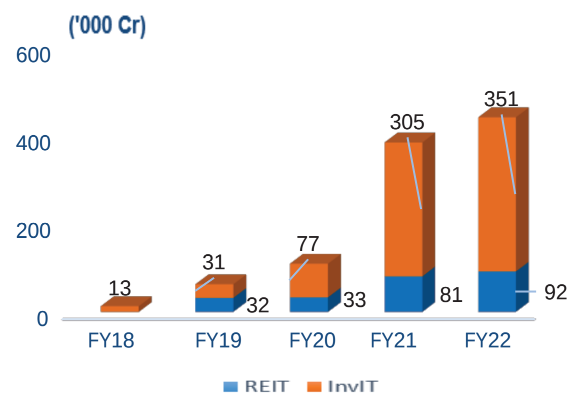
The total opportunity in the REIT/REITable space is estimated to be around Rs 1.5-1.6 trillion (in addition to the current AUM of Rs. 880 bn under REITs). This presents significant growth in the future as the adoption of REITs increases in the country. In addition, the total potential for monetization of road assets by the government and private players could range between Rs 3-3.5 trillion. This potential is primarily driven by larger size of awards, a steady project pipeline, and potential upside from traffic growth. Thus, the total additional opportunity for REIT and InvITs till FY25 could be around Rs 5 trillion, taking the industry size of approx. Rs. 10 trillion.

Table 1: National Monetizing Plan Phasing (y-o-y)



Source – CRISIL Ratings

Table 2: REIT & InvIT AUM growth (y-o-y)



Source – CRISIL Ratings

By the end of the decade, the shift of the population to urban centres is expected to yield an estimated asset base of $1.3 trillion[5] for the REITs. In addition, other asset classes such as renewables, railways, airports, hospitals, telecom infrastructure, warehouses, school infrastructure, urban infrastructure, hotels and gas pipelines are expected to add the upside to the expected assets under management for REITs/InvITs.

[5] https://www.aprea.asia/

REITs and InvITs in India

FY22 the list of REITS in India are 4 with 19 InvITs

InvIT Name	Sponsor	Asset Cat	AUM (Rs. Cr.)	Rating
Anzen India Energy Yield Plus Trust	Edelweiss	Renewable	N/A	AAA*
Bharat Highway Trust	G R Infraprojects	Roads	N/A	AAA*
Cube Highways Trust	Cube Highways	Roads	N/A	AAA
Data Infrastructure Trust	Brookfield	Telecom	40,240	AAA
Digital Fibre Infrastructure Trust	Reliance	Telecom	1,92,000	AAA
Highways Infrastructure Trust	KKR	Roads	4,750	AAA
India Grid Trust	KKR	Transmission	21,000	AAA
India Infrastructure Trust	Brookfield	Pipeline	13,240	AAA
Indian Highway Concessions Trust	CDPQ	Roads	N/A	N/A
Indinfravit Trust	CPPIB, L&T	Roads	10,620	AAA
IRB Infrastructure Trust	IRB	Roads	22,500	A
IRB InvIT Fund	IRB	Roads	7,190	AAA
National Highways Infra Trust	NHAI	Roads	7,780	AAA
Oriental Infratrust	Oriental	Roads	11,230	AAA
Powergrid Infrastructure Investment Trust	PGC	Transmission	10,230	AAA
Roadstar India Infrastructure Pvt. Ltd.	ILFS	Roads	N/A	N/A
Schoolhouse InvIT	Cerestra	School	N/A	N/A
Shrem InvIT	Shrem	Roads	6,600	AAA
Virescent Renewable Energy Trust	KKR	Renewable	3,730	AAA
REIT Name	**Sponsor**	**Asset Cat**	**AUM (Rs. Cr.)**	**Rating**
Embassy REIT	Embassy/ Blackstone	Office	49,370	AAA
Mindspace	Raheja	Office	26,400	AAA
Brookfield	Brookfield	Office/Retail	16,040	AAA
IIFL Real Estate Investment Trust	IIFL Holdings	Office	N/A	N/A

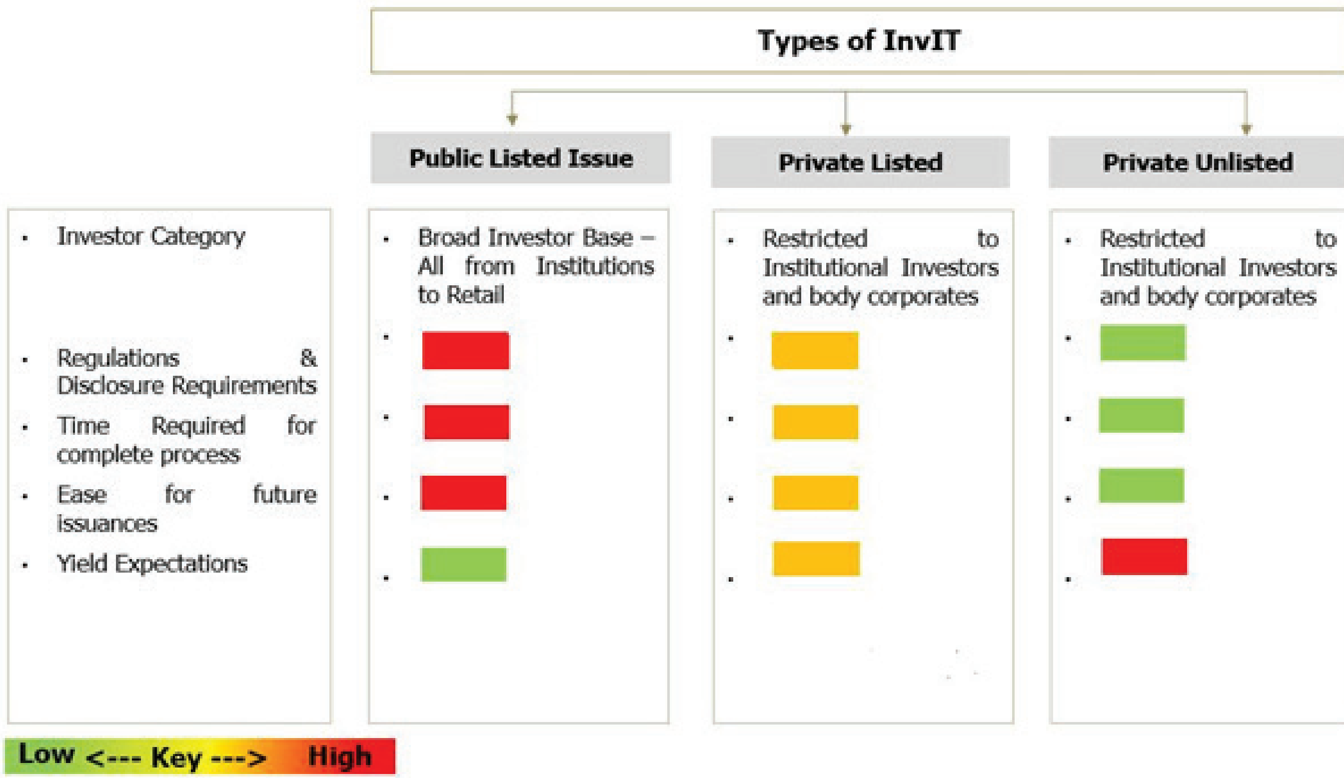
Source – www.sebi.gov.in, CRISIL Ratings,* Provisional rating /CCR

Given the high growth potential and capital requirements of new projects, several new players (issuers and investors) will explore the REITs/InvITs. Further, a few players who have listed their REITs on overseas exchanges are also expected to explore launching into the Indian market. New asset classes, like school infrastructure, warehouses, and renewable energy, are also expected to explore the REIT/ InvIT route.

Regulatory Evolution

InvITs and REITs in India are regulated by SEBI (Infrastructure Investment Trusts) Regulations, 2014 and SEBI (Real Estate Investment Trusts) Regulations, 2014.

In India, there are three types of InvIT that have been set up so far.

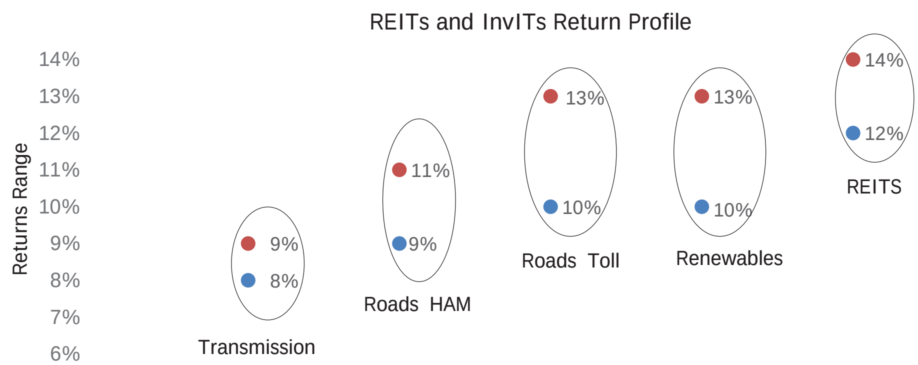


To boost investments to the InvIT & REIT sector, several regulatory actions have been taken, including:

1. Leverage limit for InvITs increased from 49% to 70%, giving them more room to raise funds.
2. Minimum application value has been revised to Rs 10,000-15,000 for REITs and InvITs. Previously the requirement for REITs was Rs 50,000, and for InvITs, it was Rs 1 lakh; this is expected to make these products attractive and accessible to retail investors.
3. Trading lot size was amended to one unit for both structures. The investor allotment is to be made in the multiples of a lot. In the past, a trading lot was required to be 100 units for the initial listing.
4. REITs and InvITs have been recognized as borrowers under the SARFAESI Act, giving the lenders to these structures adequate legal security enforcement options.
5. REITs and InvITs have been permitted to issue commercial papers if their net worth is more than Rs 100 crores and the issuance is within the permitted debt limits for these structures. New guidelines were issued relating to the preferential issues and institutional placement of units by REITs and InvITs.
6. Classification of REITs and InvITs as ‘hybrid instruments is permitted, allowing mutual fund schemes to invest up to 10% of their net asset value in their units.
7. IRDAI has allowed the insurers to invest in units of REITs and InvITs that are rated not less than AA. They will form part of the approved investments

REIT and InvIT return profile

The return profile of the REITs and InvIT is determined by the underlying assets and the leverage of the Trust. The return profile of the different classes of Trusts in India is given below:



Source – TRUST Group

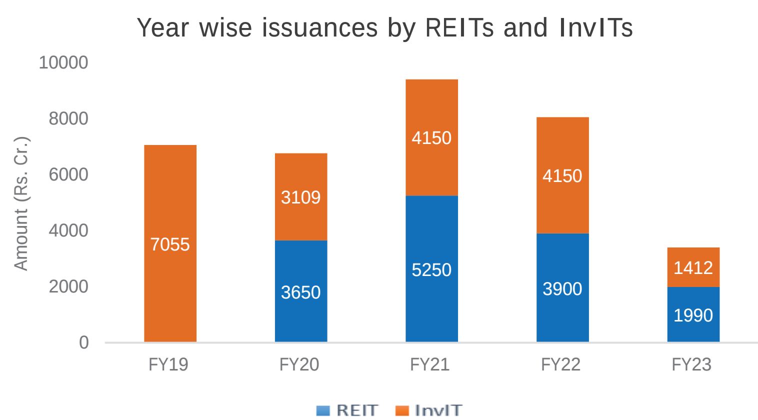
As depicted in the chart above, transmission is considered the least risky asset class; hence, the InvIT yields for such assets are the lowest. At the same time, toll roads and renewables have the highest yields amongst the infrastructure assets held by the InvITs. On the other hand, REITs offer higher yields compared to infrastructure assets at the 12-14% range in addition to the equity-like returns coming from the potential rise in the market value of the underlying assets.

In the future, as newer asset classes are added to the REITs /InvITs, the yields shall vary according to the underlying asset class and leverage of the InvIT.

REITs and InvITs have emerged as active issuers in Indian bond markets

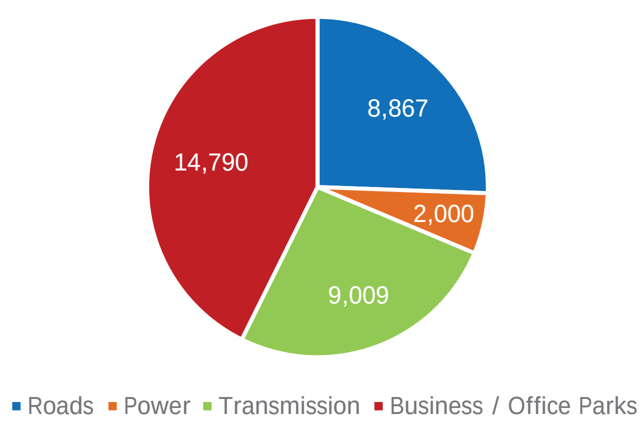
Bond Market issuances trend across REITs and InvITs: From FY 2018-19 to FY 2022-23 (H1)

In terms of issuances over the last 5.5 years, the InvIT debt issuance market in India is divided among roads (26% - Rs 8,867 crores), transmission (26% - Rs 9,009 crores) and power (6% - Rs 2,000 crores) while the REIT market is currently focused on only commercial offices space (43% - Rs 14,790 crores).



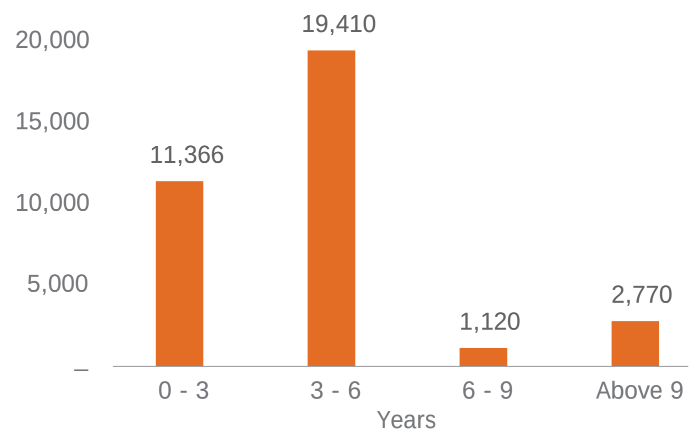
Source – PRIME Database

Segmental Split of Issuances (Rs. crores)



Source – PRIME Database

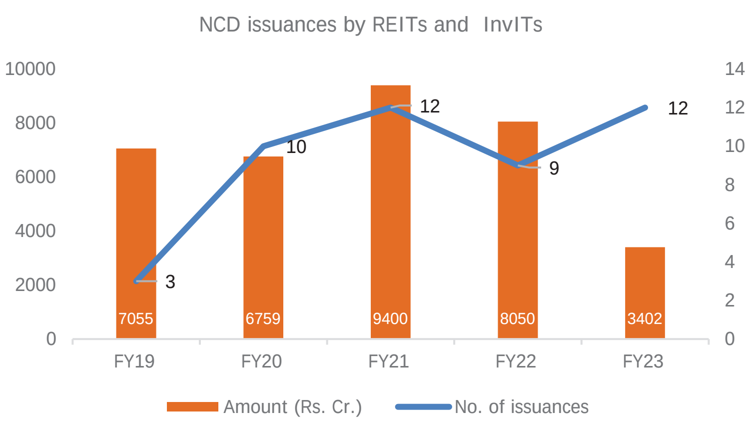
Tenor-wise Issuances (Rs. crores)



Source – PRIME Database

As shown above, a significant portion of the issuances or around 56% of the total, falls in the 3-6 years bucket followed by the under three years bucket (33%).

In the last 5.5 years, 46 issuances amounting to Rs 34,666 crores was issued by this segment. The InvIT issuances accounted for 57% of total issuances of this segment amounting to Rs 19,876 crores, while the REIT issuances accounted for 43% of the issuances - amounting to Rs 14,790 crores.



Source – PRIME Database

These issuances have received an excellent response from the bond market investors, since all of these issues had AAA credit ratings and were backed by strong sponsors. Among these issuances, there were yield differences, with InvITs holding transmission assets getting the finest pricing compared to InvITs with toll roads or renewable assets.

The total number of issuances has remained consistent from FY 2019-20 to till date FY 2022-23, except for a slight dip in FY 2021-22, which corresponds to the pandemic-induced market uncertainty that reduced the risk appetite of the investors.

Total REIT issuances in this period amounted to 43% (8 issuances by Embassy amounting to Rs 12,150 crores and 6 issuances by Mindspace amounting to Rs 2,640 crores), and the InvIT issuances were 57% of the total. India Grid Trust accounted for 45% of the InvIT issuances with its total issuances amounting to Rs 9,009 crores

Period: From FY 2018-19 to FY 2022-23 (H1)

Company	Segment	No. of Issuances	Volume of Issuances (Rs. Cr.)
Embassy Office Parks	REIT	8	12,150
Mindspace Business Parks	REIT	6	2,640
India Grid Trust	InvIT	18	9,009
Virescent Renewable Energy Trust	InvIT	6	2,000
Indinfravit Trust	InvIT	3	1,685
Highways Infrastructure Trust	InvIT	2	650
Shrem Infra Structure Pvt Ltd	InvIT	2	162
India Infrastructure Trust	InvIT	1	6,370

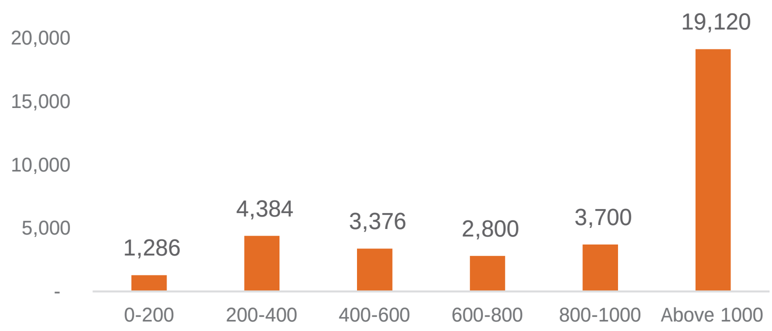
Source – PRIME Database

In the early phase of issuances, InvITs and REITs experienced a slow growth rate. There were only three issuances in FY 2018-19, out of which India Infrastructure Trust made its largest single issuance to date at Rs 6,370 crores. Despite being quite popular in the global markets, InvITs and REITs were a new investment instrument in India which made the investors cautious, and many waited to assess their initial performance before participating. The investors were also hesitant on account of the past performance of the infrastructure projects in India that suffered due to funding constraints and the dwindling margins due to the mounting inflation and the rising cost of capital.

In the subsequent period (FY 2019-20), the markets bounced back, with the total number of issuances rising to 10, with Embassy Office Parks REIT and Indinfravit Trust making their debut with two issuances each amounting to Rs 3,650 crores and Rs 835 crores respectively. During FY22, a new asset class, renewable energy, took the InvIT route through Virescent Renewable Energy Trust by making two issuances amounting to Rs 1,650 crores. Embassy Office Parks REIT was one of the highest issuers in this period and had raised Rs 3,400 crores.

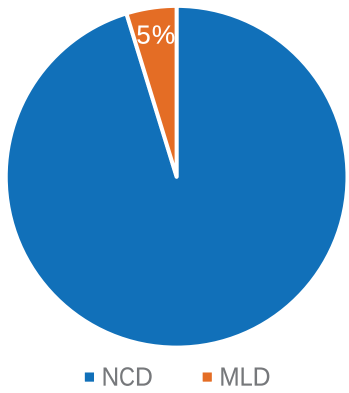
Highways Infrastructure Trust, Shrem InvIT, and Highway Concessions Trust were the three new players in the InvIT market in FY 2022-23. During FY23, several other InvITs are expected to launch in the market, which includes Bharat Infrastructure Trust (GR Infraprojects Ltd), Anzen India Energy Yield Trust (Edelweiss), Cube Highways Trust, which is expected to hit the market this year. In addition, several other players are looking to launch their InvITs to monetize their assets; the primary among them are road asset developers and warehouses.

Issuance Breakup: Ticket Size (Rs. crores)



Source – Prime Database

Issuance Breakup: Instrumentwise split



Source – Prime Database

There were 6 issuances amounting to Rs 19,120 crores in the above Rs 1000 crores bucket. All 46 issuances were listed as private placements. Over the last 5.5 years, the preferred instrument for most issuers has been NCDs, with a share at 95% of the total issuances. 7 issuances of MLDs have taken place amounting to Rs. 1,646 Crore to date.

In terms of coupon rate, most of the issuances (93% of the total) had a fixed coupon rate, while the remainder had a floating coupon rate. It was observed that a significant proportion of the issuances (74% of the total) have a quarterly coupon.

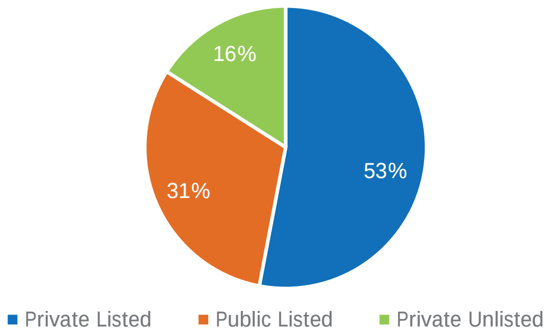
SEBI has now permitted InvITs and REITs to issue commercial papers. This move will help these entities raise short-term debt at a lower cost and boost these investment vehicles' growth. India Grid Trust has been the first issuer in this segment with their maiden CP issuance in FY2020-21. Post this issuance we have not had this segment tap bond markets.

Investments in InvITs and REITs are mainly from investors looking for well-regulated investment options that can provide them with stable and predictable cash flows. They also prefer assets with an extensive operational track record assuring their performance. These instruments have investment-grade ratings, providing additional comfort to these investors.

Apart from PE firms and mutual funds, we have seen a new group of investors, sovereign wealth funds, insurance companies and pension funds, invest in this segment. Infrastructure projects tend to have a long gestation period which works well for sovereign wealth funds and pension funds as they generally have a long-term investment horizon.

Listing of InvIT:

Most REITs and InvITs have taken the Private route (69%), while only 31% of the entities have opted for public listing. Further, 53% of these entities are privately listed, and 16% are private unlisted.



Source – CRISIL Ratings

Most trusts go for privately listing, which provide them with all the benefits of a public InvIT with lower compliance requirements and regulatory review. Their investors are limited and are primarily institutional, the private route permits fewer disclosures.

Getting the Trust of the People: Public Debt IPOs

Public Debt IPOs by REITs and InvITs - To date, two public debt IPOs of InvITs has taken place in India, by Indi Grid Trust in FY 2021-22 and National Highways Infra Trust in FY 2022-23, where TRUST Group has been the lead manager. It helped India Grid tap long term capital by the issuance of maiden 10 year debt.

NHAI InvIT has broadened and deepened the participation by Indian domestic investors to the debt IPO issued. NHAI InvIT has in their maiden issue elongated the tenor to upto 25 years with large participation from retail investors (retail subscription stood at 3.16x).

Trust group has been on the forefront supporting the growth of this sector and acting as lead managers for public and private placement of debt issuances by this segment.

Key Takeaways and Way Forward

India has taken the decisive leap towards achieving the dream of USD 5 trillion economy and seems to have finally solved the biggest hurdle of equity requirement in the development of crucial infrastructure development. This was done by having several REITs and InvITs along with a plethora of sovereign wealth funds, strategic investors and private equity funds participate in this sector. These investors have brought in direct foreign investment of USD 74 bn in the country, providing much needed capital to the sector.

The driver for this single biggest investment avenue is the regulatory responsiveness to the needs of the investors to make the infrastructure offering aligned to the investors' appetite and preferences. It is one of the finest examples of regulatory receptiveness in the financial sector. Hybrid debt nature of units and high investment grade ratings for the REITs and InvITs debts make these instruments more attractive to the investors. On one hand the debt issuances have helped to lengthen the tenor to 25 years while on the other hand the units have good liquidity due to their inherent hybrid debt & equity characteristics. Thus, REITs & InvITs have emerged as a platform which not only provides issuers an avenue to monetize the infrastructure assets but also provides a regular stream of income to the investors. As a result, large scale mobilization of debt and equity has happened through these assets, with the total AUM of Rs. 4.43 trillion within 4 years of incorporation of first such vehicle.

It has resulted into the widening of investor segments – institutional and retail. It is expected that different new sectors shall join the REIT & InvIT model such as schools, warehousing, waste, water and urban infrastructure apart from the current asset classes like roads, transmission and renewables.

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EXPERT OPINION

www.trustgroup.in

Mr. Vinod Rohira

Chief Executive Officer
Mindspace Business Parks REIT

REITs in India – An Emerging Asset Class

Globally, REITs are over a $2 trillion asset class (as of Dec 2021). The market maturity for REITs varies from country to country. REITs in India contribute only 0.3% of the total stock market cap. This is small compared to 13% for Singapore, 6% for Australia, 3% for the US, UK & Canada, and 2% for Malaysia. Globally, REITs have also ventured into newer asset classes such as retail, data center, industrial, hospitality and residential amongst others while in India, REITs are still a nascent asset class.

Indians have always had a strong affinity towards real estate. Owning real estate, be it residential or commercial, requires a lot of expertise and supervision in operating the asset along with regular spending on repairs, maintenance, and upkeep of properties to preserve value of the asset. Strata-sold assets are more complex to maintain, as there are issues with payment of dues by all members in a timely manner and society administration issues which affects the quality of the asset and results in the erosion in the value of the asset. The complexities and associated challenges did not affect the penchant for investing in real estate. However, due to higher ticket size and lower availability of finance, the commercial sector was largely limited to HNIs / institutional investors while retail investors focused on residential real estate.

The introduction of REITs in India helped address many of these issues in one go. REITs democratized ownership of commercial real estate and gave an opportunity for retail investors and masses to participate in commercial real estate even with a small corpus as low as a few hundred rupees and benefit from a regular stream of income and a potential for capital appreciation without having go through the hassles of operating and managing the asset at fraction of the associated costs. In addition, REITs are subject to a lower capital gains tax. As a result, the 3 REITs listed in India have witnessed strong interest from investors. Even HNIs are finding it convenient to gain exposure to commercial assets via REITs rather than investing in the asset directly.

The 3 REITs listed at present are not the universe, there are many more to come in the years ahead. As per IPC reports, India has Grade A office stock of about 536 million square feet (msf) of which over 280 msf is REITable. Around USD 20 billion of global institutional capital come into office assets since 2011. This capital would start looking for exit opportunities in the coming years. Some have already exited either through REITs or through secondary sales to other PE investors.

In India, REITs have exhibited operational resilience throughout the Covid Pandemic with strong collections for the commercial business. On a regulatory front, SEBI has devised a robust framework to safeguard interests of stakeholders. Indian REITs have also been active in capital markets in the short history since listing. REITs have undertaken fundraising both via equity as well as debt capital markets which have seen encouraging interest from diverse base of investors. The asset class has also seen fair participation from global institutional investors since the listing of the first REIT. The attractiveness and strong fundamentals of the Indian Commercial Office Sector backed by a robust regulatory framework is further expected to drive the growth of the sector in the long run.

Mr. Harsh Shah
Chief Executive Officer
IndiGrid

We've seen an accelerated acceptance of InvITs and REITs as a reliable investment class in India driven by a conducive policy environment established by regulators, exchanges, and the government. In a span of 5 years, InvITs account for more than INR 1,400 billion of AUM reflecting the strength of its core value proposition which is enablement of diversified ownership of infrastructure assets across both retail and institutional investors managed with the highest standards of corporate governance.

The Indian infrastructure sector in general and energy sector, in particular, is witnessing an amped up transformation driven by visionary policy initiatives. The National Infrastructure Pipeline (NIP) with an investment outlay of more than INR 110 trillion aims to improve project pipeline and attract private sector investments into infrastructure sector. Transmission, alone, is expected to witness investments worth ~INR 4,000 billion over the medium term. Along with the ambitious NIP, the ongoing National Monetization Plan (NMP) aims to monetize INR 6,000 billion worth of brownfield infrastructure assets thereby providing medium-term roadmap for potential investors to generate investment interest. On the backdrop of a successful, accelerated adoption, InvITs are expected to be play an important role in realization of the gargantuan investments planned in the infrastructure space.

IndiGrid, which is one of the largest and India's first power sector InvIT, has been a flagbearer of sorts for the success story of InvITs/REITs in India. Over its rich 5+ years operations, it has grown to over INR 210 billion of assets spread across the country and delivered superior risk-adjusted returns to unitholders by generating AAA-rated cashflows on the back of value-accretive acquisitions. Going forward, IndiGrid remains optimistic about the growth potential of the power sector in India on the back of supportive regulatory push and envision sizeable growth opportunities in its AUM, while ensuring stability and predictability in the platform.

Mr. Sandeep Pandey
Chief Investment Officer
SBI Pension Funds (P) Ltd.

India entered the sector in the year 2014 while countries like US have more than 230 active REITs-INVITs with first vehicle coming in place in the year 1960 followed by Singapore and Japan in year 2001, now have more than 48 and 61 active vehicles, respectively. In India Marketcap/GDP of these vehicles is less than one percent while in US and Singapore it is more than 5% and 20%, respectively. REITs-INVITs have attracted more than Rs 2 trillion of capital in India while it has potential of more than Rs 8 trillion in the next 4-6 years. As per analysis presented by CRISIL, more than 50% of operational assets worth ~Rs 17 trillion could be available under REITs-INVITs. Government would require USD 1.4 trillion by 2025 as per National Infrastructure Pipeline (NIP) announced by GOI. INVITs would play key role in monetizing of existing operational assets, allowing recycling of capital for further investment under PPP models.

REITs-INVITs conceptually match the liability profile of long terms investors like Pension and Insurance. Global Pension fund managers have been active participants in the major INVITs and REITs active in India. However, in India there is no reasonable participation by Pension/Insurance sector. The existing asset classes include Toll Roads and annuity road projects, power transmission, gas pipline, telecom infrastructure and commercial Real Estate. Going forward we may see assets like HAM roads, renewable energy and Hospitals. We need more such INVITs with availability of assets for future growth.

However, it is important to note that units of publicly listed INVITs-REITs have been highly volatile increasing the overall risk profile of the product, higher than equity despite the fact it is considered to be less risky products due to hybrid nature of the product. The volatility in the product has led to only few issuances in the publicly listed INVIT space. Higher volatility did not justify the return offered by the products on risk adjusted basis. Investment in privately listed instruments offer valuation challenge for NPS PFMs as returns offered through distribution yields may not be true reflection of performance for the pension fund managers who may have option of investing in similar or less risky products with higher yields.

The long term/perennial nature of the product offers exit challenges for the Pension Investors like us. Hence this can lead to disconnect between open ended schemes of NPS and close ended nature of the products. Absence of volumes in the secondary market act hindrance for big ticket investors like us. The product is less popular across all the investor community. Unless we take right steps to attract more investors it would be difficult to generate volumes for the product. The recent change of reducing ticket size for retail investors is the step in the right direction to popularize the product.

Mr. Vinay Sekar

Chief Executive Officer
Cube Highways Trust

Growing Indian Road Sector

India has set a target of spending 1.4 trillion USD over a period of 5 years (FY 2020 – FY 2025) under the National Infrastructure Pipeline (NIP). This is nearly two and half times more than the historical spending on infrastructure. Our National Highway (NH) network is expanding at a pace never seen before. The length of NHs has increased by more than fifty percent in last seven years from 91,287 km in 2014, to 1,40,152 km in 2022. The Ministry of Roads Transport and Highways (MoRT&H) target to increase NH network to 2,00,000 km by 2025. The pace of construction has increased more than 3 times, from 12 km per day in 2014-15 to 37 km per day in 2020-21.

There has been a strategic shift in creation of road infrastructure. The focus has shifted from a piecemeal approach to a holistic approach with focus on long term value creation. Greenfield expressways with world class amenities are being created to shorten travel time and provide great customer experience. Coordinated road infrastructure development is being undertaken through several National schemes such as Bharatmala Pariyojna (Roads), Gatishakti Master Plan (Logistics) and Sagarmala Pariyojna (Coastal Shipping).

This is a sector of strategic national importance, and the scale of the investment opportunity at hand today, is matchless. In addition, the highway sector also forms over 25 billion USD of the 80 billion USD National Monetization Pipeline.

What makes Roads sector great for investment?

MoRT&H along with NHAI (National Highways Authority of India) have been at the forefront of creating a fostering ecosystem for bringing in private sector investments in the sector. The sector, which initially started with the Annuity form of PPPs, has evolved significantly over the past 25 years – developing and implementing projects on DBFOT, HAM, OMT and TOT. It is also now focussing on asset monetization through creation of infrastructure trusts (InVITs).

The sector is backed by a stable and mature policy environment, where the concession framework has been tested over a 25-year period. One of the hallmarks of the concession framework is the formula based toll revision based on inflation that has now been institutionalised. The fact that toll is collected directly from end users provides a significantly better counter-party risk profile compared to other infra sub-sectors. The concessions typically lock-in long term cash flows, up to 30 years and provide opportunities for organic growth through (a)Traffic growth which is driven by economic growth and rising disposable incomes; and (b) Toll rate growth which is indexed to inflation.

For an InvIT holding a diversified portfolio of assets, the cash flows are therefore likely to be highly correlated to the nominal GDP growth of the country. This makes InvITs attractive for investments by long term investors and will therefore become the primary holding vehicle for road infrastructure assets in this country.

Mr. Sandeep Bagla
Chief Executive Officer
TRUST Mutual Fund

The US Fed and the Indian RBI have both started tightening monetary conditions in an attempt to bring down inflation, which has gone far higher than their comfort levels. For the last 14 years, ever since the Global Financial Crisis in 2008, central banks have kept rates low and liquidity easy to support growth. The conventional wisdom that excess supply of money causes inflation was seriously challenged as inflation remain by and large subdued all these years. In response to Covid 19, the central bankers globally sprayed money generously to support demand, which led to a massive expansion in their balance sheets. This time the monetary expansion resulted in rip-roaring inflation, which has since gotten broad based gradually and led to a sharp turnaround in thinking of central banks, who rapidly increased policy rates and reduced money supply. The US rates have gone by almost 4% and the bloated balance sheet has reduced marginally so far.

In response to the regulatory measures, market yields too rose, with yield curves flattening as the shorter end rates rose more sharply than longer-term bonds. In the US, the 10 year yield has risen to 4.20%, while in India the 10 year Government bond yield is at 7.50%. Credit offtake has started rising as liquidity is tight and the funding from the foreign exchange route has simply dried up. The Rupee has depreciated against the Dollar, though less than most other currencies, but is expected to depreciate more in the near term.
Now we are at a true inflection point.

Most of the market participants seem to believe that the worst is behind us. Central banks are in control of inflation. Inflation will cool down gradually and investors will all live happily ever after.
Another group believes that it is going to be long drawn battle against inflation, one that could see many more casualties. Bond yields could rise more from here; the equities could see a sharp correction in valuations and in terms of prices.

There are many moving parts in the current market conundrum. There are geo political risks, which could take a turn for the worse. There has been unprecedented wage hikes and labour shortages that could easily lead to an upward wage price inflation spiral upwards, taking services inflation higher. If inflation expectations were to get entrenched at higher levels, central bankers would have tighten much more, much faster and for a longer period.

While on the surface it appears that storm may have passed and it is time to take out the boat for a pleasure cruise, it is quite possible that there is trouble brewing beneath the still waters which could create further mayhem.

Infrastructure financing in India has come of age with more issuers able to tap the structured debt markets. Bond markets will need to support the structure especially if there is full blow capex cycle in the coming years. Whichever way the rates and liquidity move, the Indian bond markets appear to have deepened enough to provide regular funding to credit worthy investors. Rating enhancement through innovative structuring will ensure that lower rated issuers can access debt capital markets.

Player profiles of REITS and INVITs

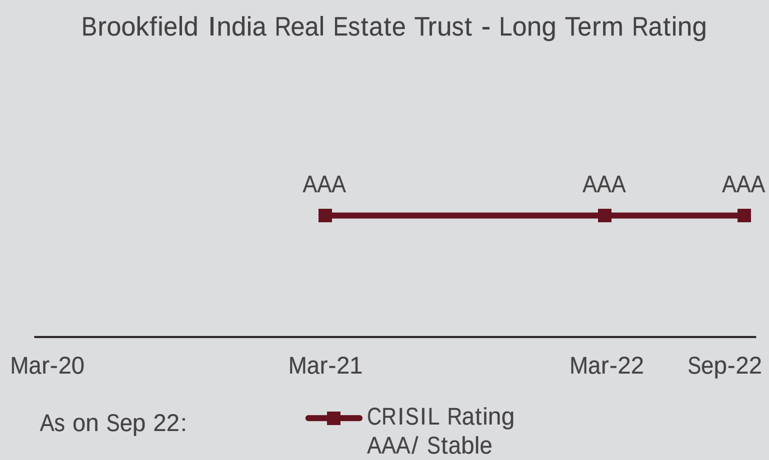
November 2022

Knowledge Partner

Brookfield India Real Estate Trust

Company name	Brookfield India Real Estate Trust
Incorporation year	2014
About the company	Brookfield REIT is registered as an irrevocable trust under the Indian Trust Act, 1882, and as a REIT under the Securities and Exchange Board of India's (SEBI) REIT Regulations, 2014, as amended.

Company outstanding rating



Key financial parameters (FY22)

Figures in Rs billion

Gross asset value	160	Occupancy (%)	87%
Net distributable cash flows (NDCF)	7	Weighted average lease expiry (years)	7.1
Ebitda	12	In-place rent (Rs psf/month)	62.7
Net operating income	8	Leasable area (million square feet)	18.6
Leverage (%)	31	Mark-to-market potential (%)	19%

Note: The above parameters represent the company's standalone financials as of March 2022, and may include, as applicable, reclassification/ adjustments to the reported financials by the entity.
Source: CRISIL Quantix, company reports, CRISIL Research

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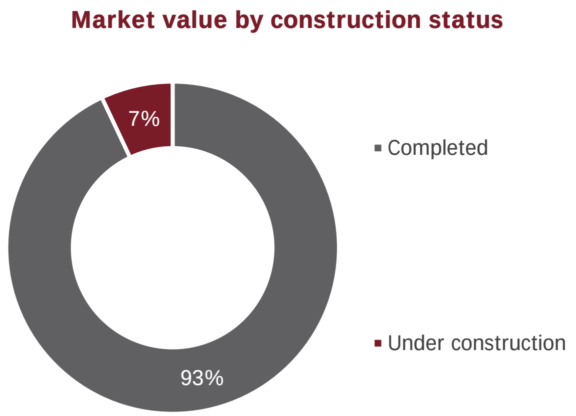
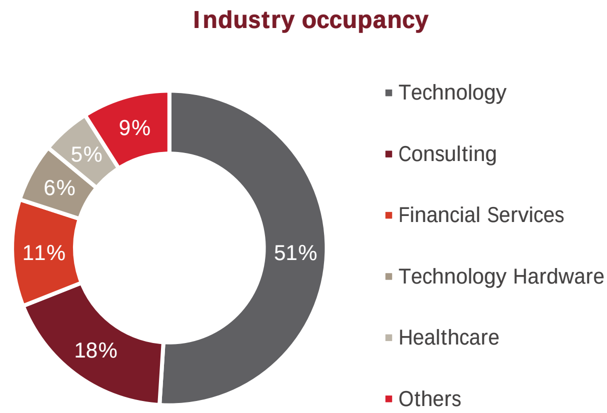




Note: The above parameters represent the company's standalone financials as of March 2022, and may include, as applicable, reclassification/ adjustments to the reported financials by the entity.

Source: CRISIL Quantix, company reports, CRISIL Research

Brookfield REIT is registered as an irrevocable trust under the Indian Trust Act, 1882, and as a REIT under SEBI's REIT Regulations, 2014, as amended.

Brookfield REIT is sponsored by BSREP India Office Holdings V Pte Ltd (part of the Brookfield group). The REIT has a stake in five companies, including four companies comprising five commercial assets and one company that is the operational service provider.

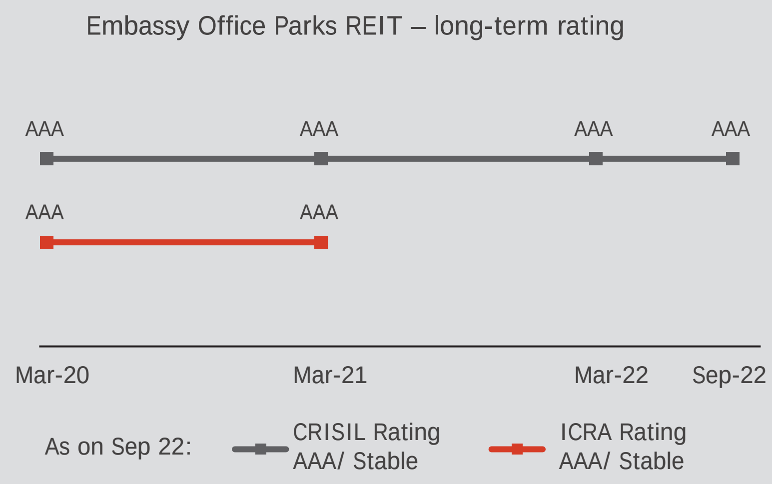
Shantiniketan Properties Pvt Ltd (N1) owns and operates a commercial office park, Candor Techspace N1, in Noida (NCR). The property has been operational since March 2011, and has completed area of 18.6 lsf, of which ~74% was occupied as on December 31, 2021. An additional 9.5 lsf is expected to be developed over the medium to long term.

Growth will be supported by stable revenue of special purpose vehicles (SPVs) and strong debt protection metrics, but will be partially offset by volatility in the real estate sector.

Embassy Office Parks REIT

Company name	Embassy Office Parks REIT
Incorporation year	2014
About the company	Embassy Office Parks REIT (Embassy REIT) is registered as an irrevocable trust under the Indian Trust Act, 1882, and as a REIT under SEBI Real Estate Investment Trust Regulations, 2014, as amended. Its portfolio is held through SPVs.

Company outstanding rating



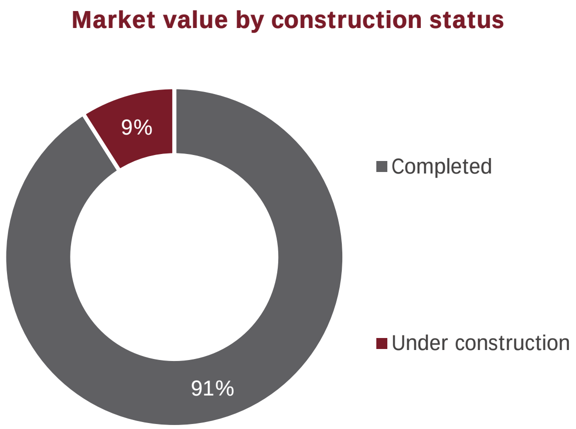
Key financial parameters (FY22)

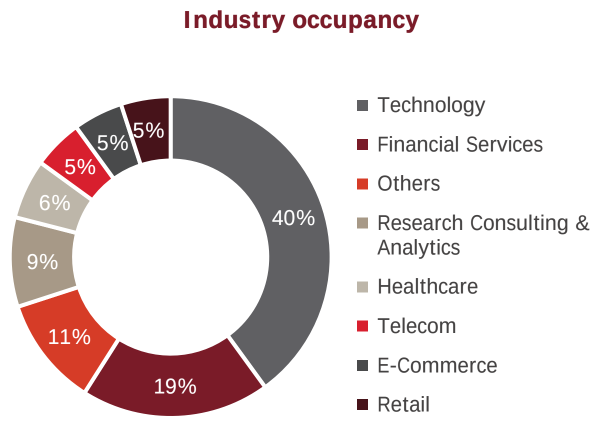
Figures in Rs billion

Gross asset value	490	Occupancy (%)	87%
Net distributable cash flows (NDCF)	21	Weighted average lease expiry (years)	7.0
Ebitda	26	In-place rent (Rs psf/month)	75
Net operating income	25	Leasable area (million square feet)	42.8
Leverage (%)	24%	Mark-to-market potential (%)	24%

Note: The above parameters represent the company's standalone financials as of March 2022, and may include, as applicable, reclassification/ adjustments to the reported financials by the entity.

Source: CRISIL Quantix, company reports, CRISIL Research

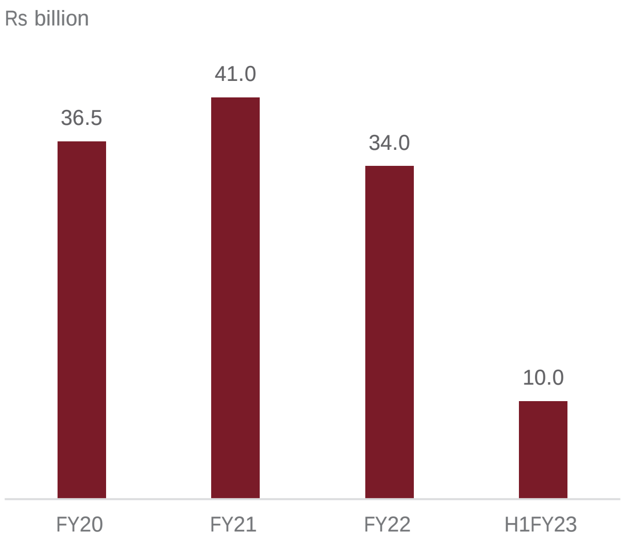




Note: The above parameters represent the company's standalone financials as of March 2022, and may include, as applicable, reclassification/ adjustments to the reported financials by the entity.

Source: CRISIL Quantix, company reports, CRISIL Research

NCD issued



Source: Prime database, CCIL-FTRAC, CRISIL Research

Embassy REIT is registered as an irrevocable trust under the Indian Trust Act, 1882, and as a REIT under SEBI's Real Estate Investment Trust Regulations, 2014, as amended. It is sponsored by BRE Mauritius Investments (part of the Blackstone Group) and Embassy Property Development Pvt. Ltd (part of the Embassy group). It has 12 commercial assets (office parks and city-centric offices), six hotels (of which four are under construction), and a solar plant.

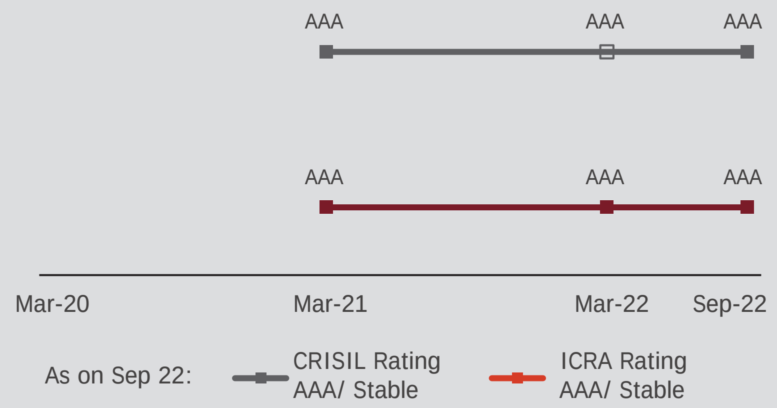
Growth will be supported by stable revenue of SPVs under the REIT, strong tenant profile with a well-diversified portfolio, and robust debt protection metrics. This will be partially offset by volatility in the real estate sector.

Mindspace Business Parks REIT

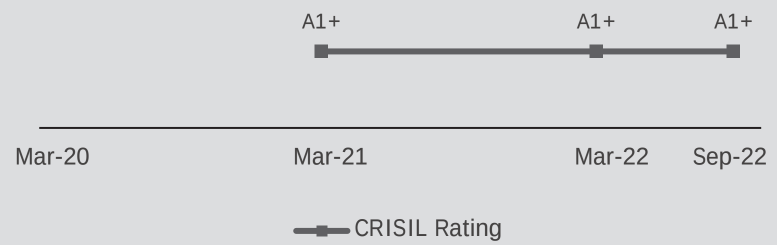
Company name	Mindspace Business Parks REIT
Incorporation year	2014
About the company	Mindspace REIT is registered as an irrevocable trust under the Indian Trust Act, 1882, and as a REIT under the SEBI's REIT Regulations, 2014, as amended. Mindspace REIT's portfolio assets are held through the following asset SPVs: K Raheja IT Park (Hyderabad) Ltd (KRIT), Sundew Properties Ltd and Intime Properties Ltd (Intime), the 3 spvs mentioned earlier own by SEZ/IT park, Mindspace, in Madhapur, Hyderabad.

Company outstanding rating

Mindspace Business Parks REIT – long-term rating



Mindspace Business Parks REIT – short-term rating



Key financial parameters (FY22)

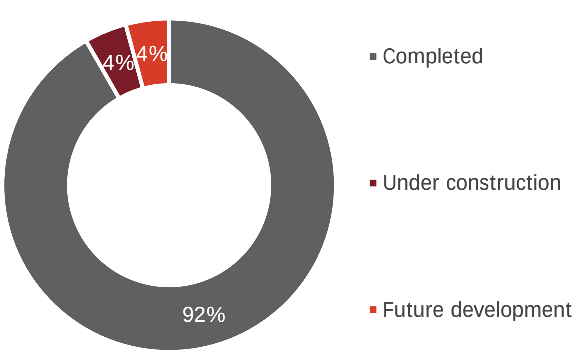
Figures in Rs billion

Gross asset value	264	Occupancy (%)	84%
Net distributable cash flows (NDCF)	11	Weighted average lease expiry (years)	6.9
Ebitda	12	In-place rent (Rs psf/month)	61.7
Net operating income	15	Leasable area (million square feet)	31.8
Leverage (%)	15.7%	Mark-to-market potential (%)	16%

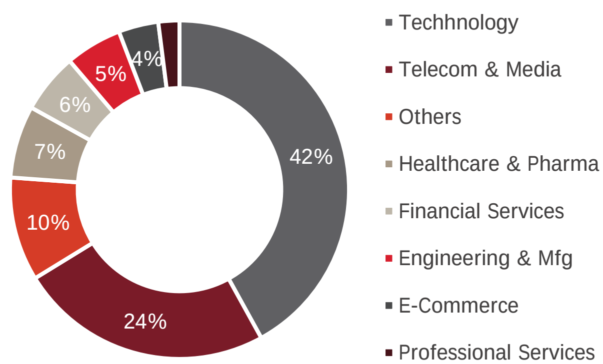
Note: The above parameters represent the company's standalone financials as of March 2022, and may include, as applicable, reclassification/ adjustments to the reported financials by the entity.

Source: CRISIL Quantix, company reports, CRISIL Research

Market value by construction status



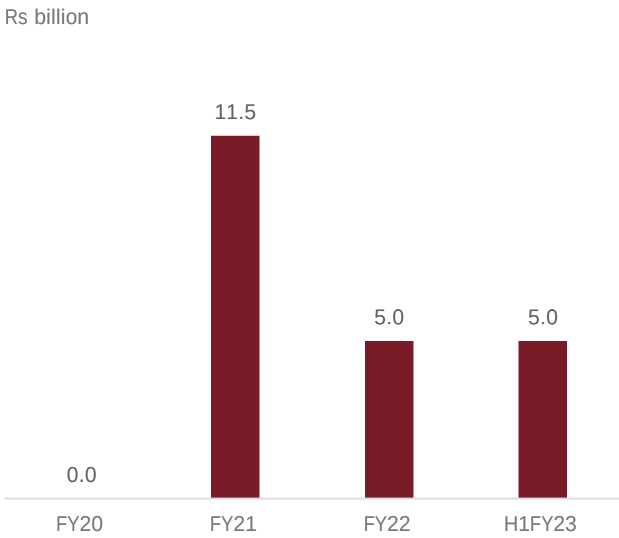
Industry occupancy



Note: The above parameters represent the company's standalone financials as of March 2022, and may include, as applicable, reclassification/ adjustments to the reported financials by the entity.

Source: CRISIL Quantix, company reports, CRISIL Research

NCD issued



Source: Prime Database, CCIL-FTRAC, CRISIL Research

Mindspace REIT is registered as an irrevocable trust under the Indian Trust Act, 1882, and as a REIT under the SEBI's REIT Regulations, 2014, as amended. Its portfolio assets are held through the following asset SPVs: K Raheja IT Park (Hyderabad) Ltd (KRIT), Sundew Properties Ltd and Intime Properties Ltd (Intime) 3 spvs own the SEZ/IT Park Mindspace, in Madhapur, Hyderabad. The property has been operational since 2005 and has a total completed area of approximately 98 lakh sq ft with a committed occupancy of 89.6% as on December 31, 2021. An additional area of approximately 18 lakh sq ft is expected to be developed over the medium term.

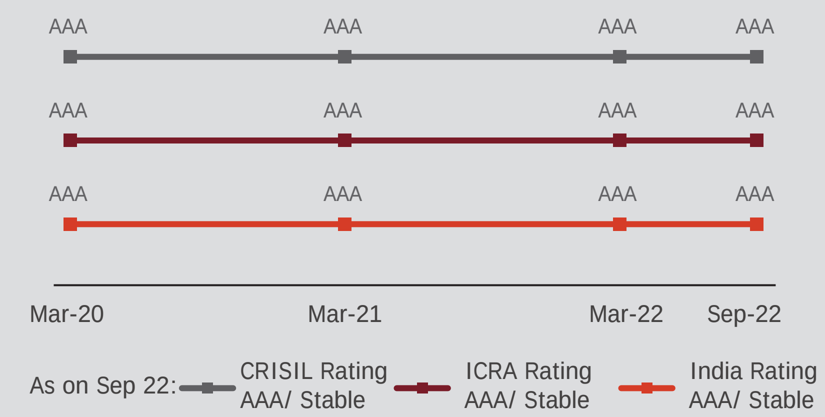
Stable revenue of asset SPVs and strong debt protection metrics will support Mindsapce REIT's growth. This will partially be offset by volatility in the real estate sector.

India Grid Trust

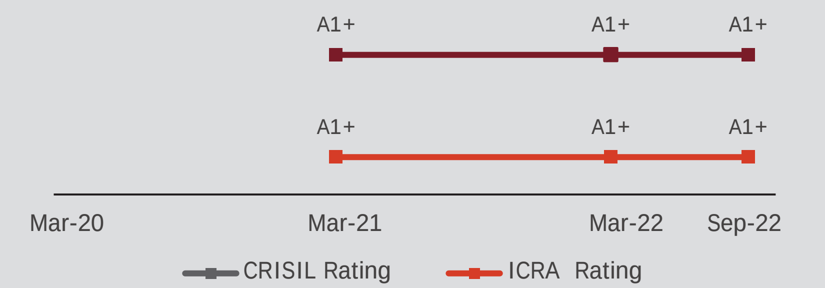
Company name	India Grid Trust
Incorporation year	2016
About the company	India Grid Trust (IndiGrid) was set up on October 21, 2016, as an irrevocable trust pursuant to the trust deed under the provisions of the Indian Trusts Act, 1882, and registered with SEBI as an infrastructure investment trust (InvIT) on November 28, 2016, under Regulation 3(1) of the InvIT Regulations.

Company outstanding rating

India Grid Trust – long-term rating



India Grid Trust – short-term rating



Key financial parameters (FY22)

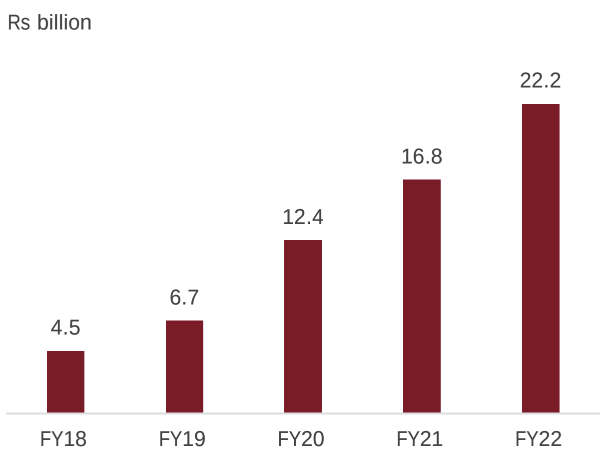
Figures in Rs billion

Total revenue	**22**	Solar generation capacity (AC, MW)	**100**
Ebitda	**20**	Geographical diversification	**18 states & 1 UT**
Net distributable cash flows (NDCF)	**9**	Length of transmission lines (ckm)	**7,570**
Assets under management (AUM)	**211**	Total transformation capacity (MVA)	**13,550**
Equity raised since inception	**66**	Distribution (rupee per unit)	**12.75**

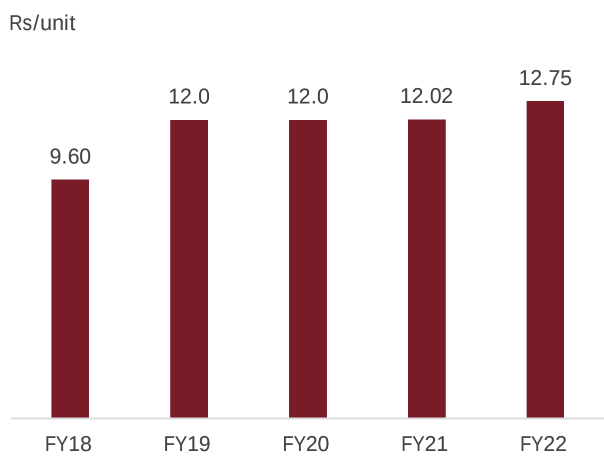
Note: The above parameters represent the company's consolidated financial and operational parameters as of March 2022, and may include, as applicable, reclassification/ adjustments to the reported financials by the entity.

Source: CRISIL Quantix, company reports, CRISIL Research

Trend in revenue



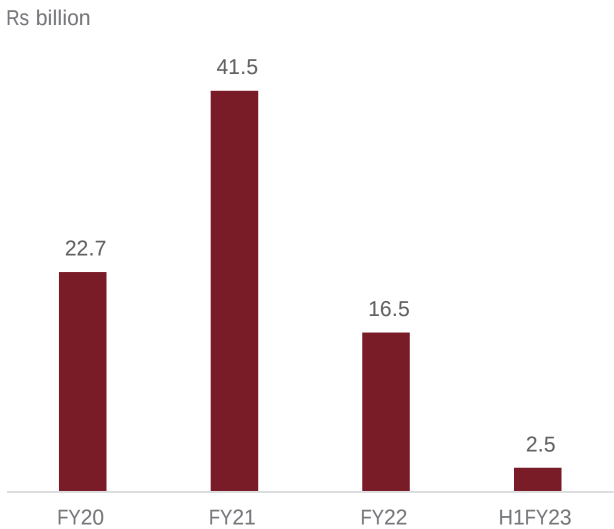
Distribution per unit



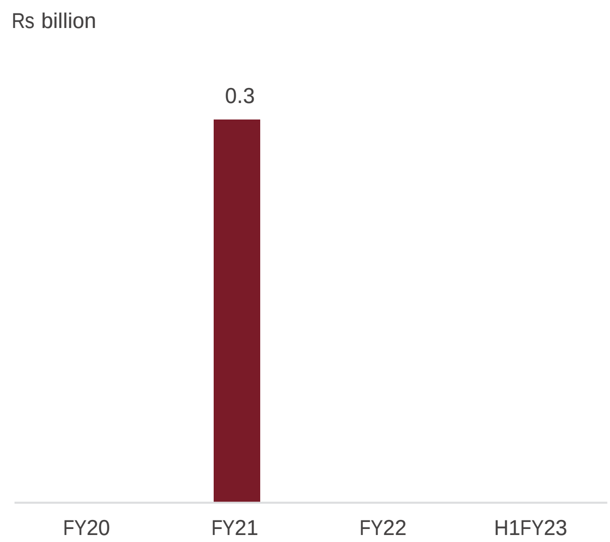
Note: The above parameters represent the company's consolidated financials as of March 2022

Source: CRISIL Quantix, company reports, CRISIL Research

NCD issued



CP issued



Source: Prime database, CCIL-FTRAC, CRISIL Research

IndiGrid was set up on October 21, 2016, as an irrevocable trust pursuant to the trust deed under the provisions of the Indian Trusts Act, 1882, and registered with SEBI as an InvIT on November 28, 2016, under Regulation 3(1) of the InvIT Regulations.

Over the past five fiscals, the entity has grown from two power transmission projects to 14 operational diversified power projects. The initial portfolio assets comprised BDTCL and Jabalpur Transmission Company Ltd. The trust has now acquired 11 more transmission assets: Purulia and Kharagpur Transmission Co Ltd, RAPP Transmission Co Ltd, Maheshwaram Transmission Ltd, Patran Transmission Co Ltd, NRSS, Odisha Generation Phase II Transmission Ltd, East North Interconnection Company Ltd, Gurgaon Palwal Transmission Ltd, Jhajjar, Parbati, and NER II Transmission Ltd. In fiscal 2022, the trust further acquired two solar assets with a combined capacity of 100 megawatt and an under-construction transmission asset.

It had AUM of ~Rs 21,000 crore as on June 30, 2022. For fiscal 2023, its focus areas include acquisition of framework asset Khargone Transmission Limited (KTL) and other operational solar and transmission assets, continuing to evaluate bidding opportunities in power transmission with partners, and exploring opportunities in adjacent spaces such as utility scale battery storage.

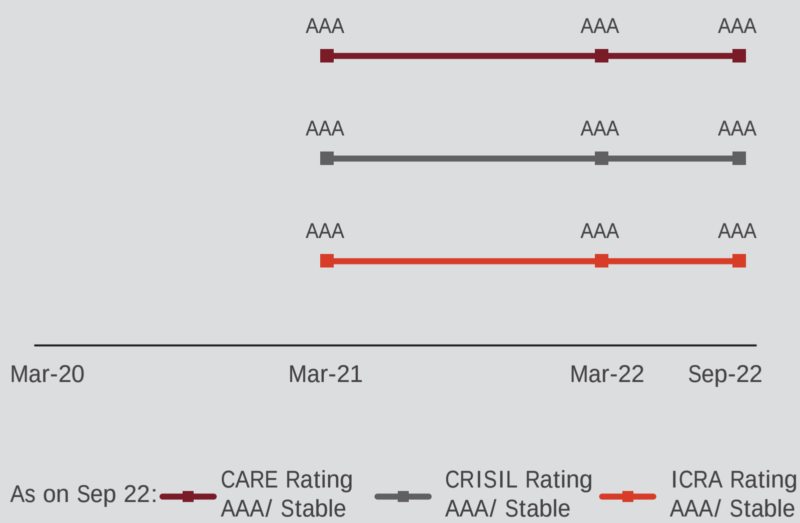
Its financial profile is supported by stable revenue of underlying transmission SPVs, stability of cash flow under the point of connection (POC) pool mechanism for SPVs, and a strong financial risk profile. These strengths are partially offset by their exposure to operation and maintenance (O&M) risk towards the underlying assets and susceptibility to the refinancing risk.

POWERGRID Infrastructure Investment Trust

Company name	POWERGRID Infrastructure Investment Trust (PGInvIT)
Incorporation year	2011
About the company	PGInvIT is an irrevocable trust pursuant to the trust deed under the provisions of the Indian Trusts Act, 1882. It got registered with the SEBI as an InvIT on January 7, 2021, under Regulation 3(1) of the InvIT Regulations. The IDBI Trusteeship is its trustee.

Company outstanding rating

POWERGRID Infrastructure Investment Trust – long-term rating



Key financial parameters (FY22)

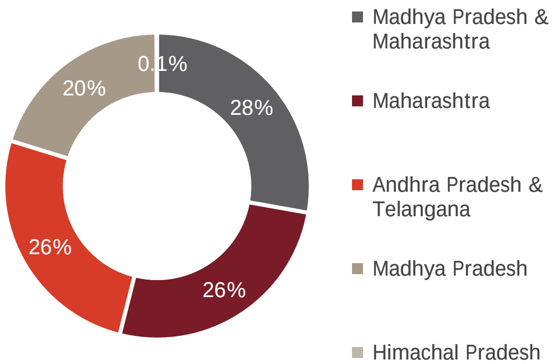
Figures in Rs billion

Total revenue	**12**	Geographical diversification (states)	**5**
Ebitda	**12**	Length of transmission lines (ckm)	**3,698.59**
Net distributable cash flows (NDCF)	**10**	Total transformation capacity (MVA)	**6,630**
Assets under management (AUM)	**102**	Distribution (rupee per unit)	**10.05**

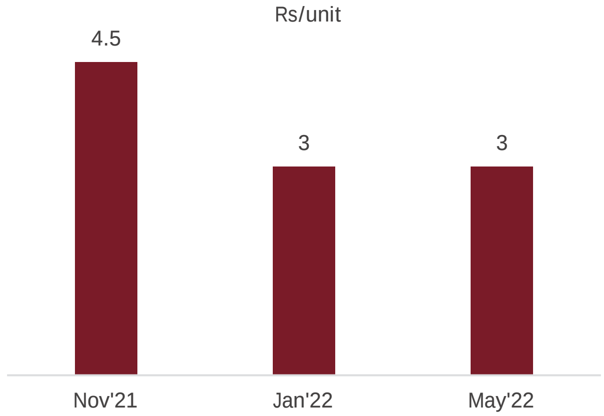
Note: The above parameters represent the company's consolidated financials as of March 2022 and may include, as applicable, reclassification/ adjustments of its reported financials.

Source: CRISIL Quantix, company reports, CRISIL Research

Geographical dispersion by transmission lines



Distribution per unit



Note: The above parameters represent the company's standalone financials as of March 2022, and may include, as applicable, reclassification/ adjustments to the reported financials by the entity.

Source: CRISIL Quantix, company reports, CRISIL Research

PGInvIT is a trust set up under Indian Trusts Act, 1882 on September 14, 2020. It got registered as an InvIT under the SEBI InvIT Regulations on January 7, 2021. Five transmission assets of POWERGRID were monetised Through this InvIT. Set up by Power Grid Corporation of India Ltd (PGCIL), a Maharatna CPSE, PGInvIT is India's first InvIT by a CPSE/government entity. assets have been implemented under tariff-based competitive bidding (TBCB) mechanism on build-own-operate-maintain (BOOM) basis under a 35-year contract and minimal risk of regulatory reset of transmission charges.

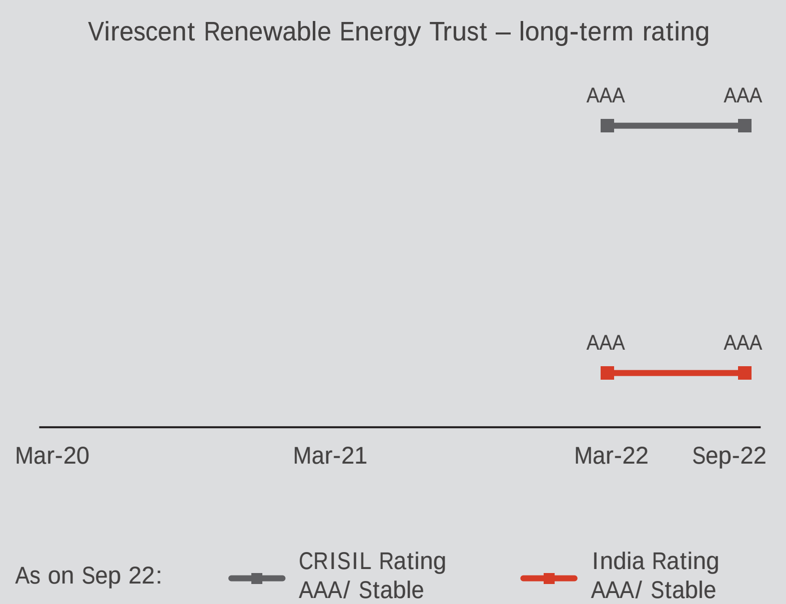
The transmission SPVs have stable operations with track record of above-normative transmission line availability over 3-5 years. Their revenue stability is driven by Transmission Service Agreements (TSAs), which ensure payment of stipulated tariff subject to achievement of normative line availability of 98%. Maintenance of high line availability is critical to ensure stability of revenue in the power transmission sector. Although O&M expense forms a small portion of the revenue, improper line maintenance may lead to revenue loss and weaken loan repayment ability. However, these risks are mitigated by the low technical complexity and routine nature of O&M activity, and appointment of PGCIL as O&M agency by the SPVs and as project manager to PG InvIT.

The financial profile is supported by its low leverage along with stability in its cash flow, which is under the revenue sharing regulation of the Central Electricity Regulatory Commission (CERC). This is partially offset by its exposure to O&M risk on the underlying assets of SPVs.

Virescent Renewable Energy Trust

Company name	Virescent Renewable Energy Trust (VRET)
Incorporation year	2021
About the company	VRET, an infrastructure investment trust, was set up in fiscal 2021 by Kohlberg Kravis Roberts & Co LLP (KKR) and its affiliates. The trust has issued NCDs listed on the Bombay Stock Exchange. The units were listed on the National Stock Exchange in October 2021.

Company outstanding rating



Key financial parameters (FY22)

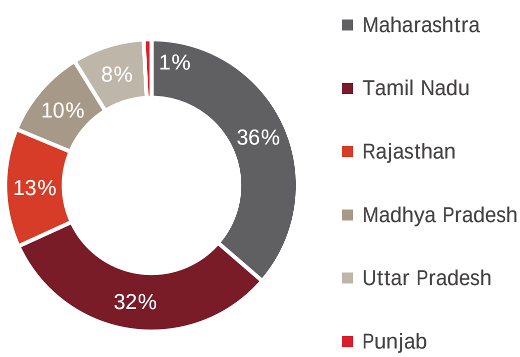
Figures in Rs billion

Total revenue	4	Portfolio capacity (solar MWp	500
Ebitda	3	Geographical diversification (states)	6
Net distributable cash flows (NDCF)	1	Number of projects	14
Assets under management (AUM)	39	Distribution (Rs per unit) as of May 2022	6.12

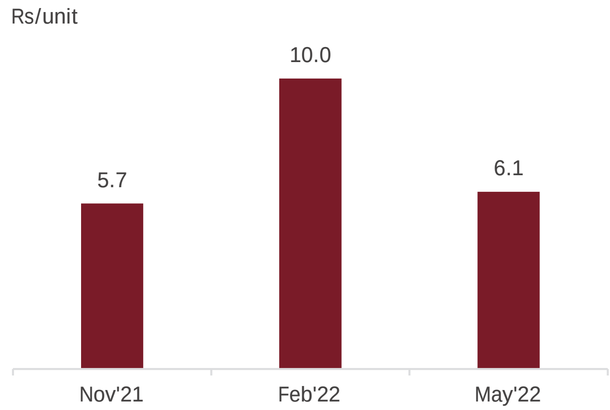
Note: The above parameters represent the company's consolidated financial and operational data as of March-2022 and may include, as applicable, reclassification/ adjustments to its reported financials.

Source: CRISIL Quantix, company reports, CRISIL Research

Geographical dispersion by capacity



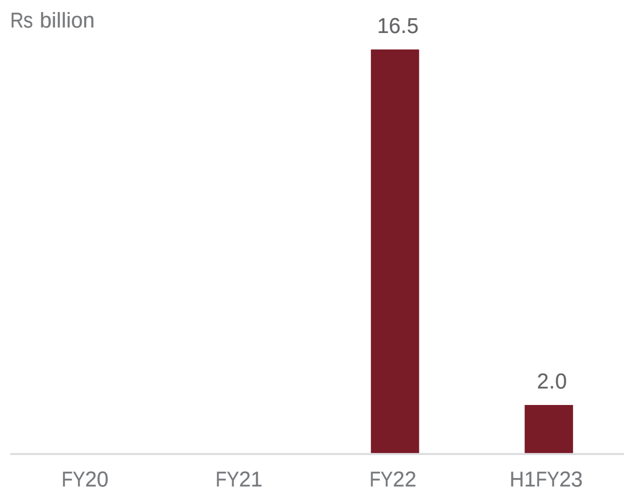
Distribution per unit



Note: The above parameters represent the company's consolidated entity data as of March 2022.

Source: CRISIL Quantix, company reports, CRISIL Research

NCD issued



VRET, an infrastructure investment trust, was set up in fiscal 2021 by Kohlberg Kravis Roberts & Co LLP (KKR) and its affiliates. The trust has issued NCDs listed on the Bombay Stock Exchange. It houses renewable energy projects in India. It has a portfolio of 500.2 MWp and is acquiring an additional portfolio of 12.4 MWp. The units were listed on the National Stock Exchange in October 2021. Virescent Infrastructure Investment Manager Pvt Ltd (VIIMPL) is a renewable energy platform backed by KKR and incorporated in August 2020. Headquartered in Mumbai, VIIMPL is the investment manager for VRET.

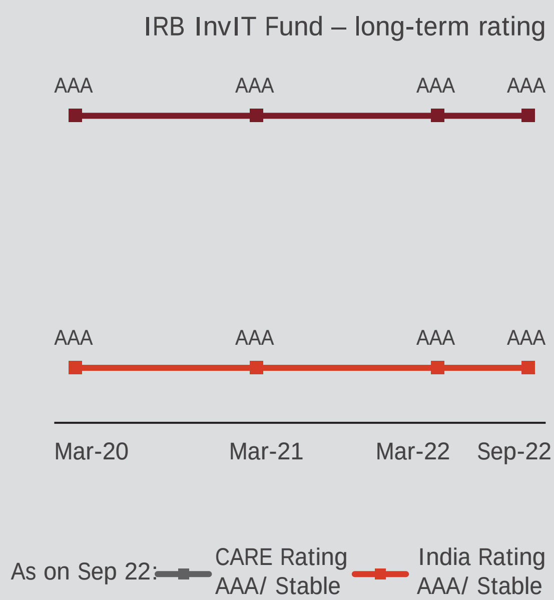
The portfolio benefits from diversified presence across seven states and different locations within these states. This reduces generation risk as indicated by the plant load factor (PLF) that has consistently exceeded P90 value at the portfolio level. PLF in fiscals 2020 and 2021 was ~16.8% against average P90 of 16.7%. In fiscal 2022, the PLF stood at 16.4%, which is also broadly in line with the P90 expectation, despite inverter and transformer issues in a few assets and lower irradiance owing to heavy rainfall in Maharashtra.

The trusts' financial profile is supported by revenue from long-term power purchase agreements (PPAs) and its low leverage and healthy liquidity position. This will be partially offset by exposure to state discom for receivables and the inherent risk involved in operating renewable assets.

IRB InvIT Fund

Company name	IRB InvIT Fund
Incorporation year	2017
About the company	IRB InvIT Fund is a trust registered under the SEBI's Infrastructure Investment Fund Regulations, 2014. The fund owns, operates, and maintains a portfolio of five toll road assets (as of today) in Maharashtra, Rajasthan, Karnataka, Tamil Nadu, and Punjab.

Company outstanding rating



Key financial parameters (FY22)

Figures in Rs billion

Total revenue	5	Ebitda	5
Toll collections	18	Net debt	14
Net distributable cash flows (NDCF)	5	Gearing (x)	0.22

Note: The above parameters represent the company's standalone financials as of March 2022, and may include, as applicable, reclassification/ adjustments to the reported financials by the entity.

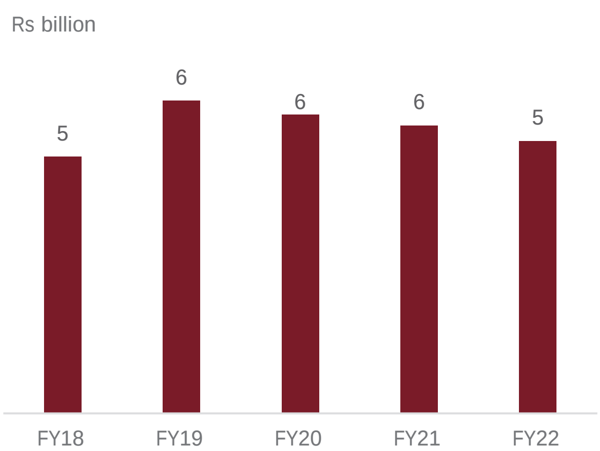
Source: CRISIL Quantix, company reports, CRISIL Research

Project portfolio

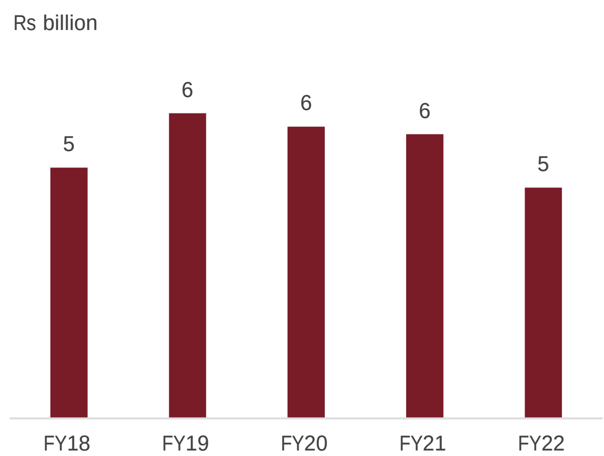
Sr No	SPV	Project name	Km	End of concession	Gross toll collection - FY22 (Rs billion)
1.	IRB Talegaon Amravati Tollway Ltd (IRBTATL)	Talegaon-Amravati (NH 6)	66.7	June 2037	1
2.	IRB Jaipur Deoli Tollway Ltd (IRBJDTL)	Jaipur-Deoli (NH 12)	149	October 2040	1
3.	IRB Tumkur Chitradurga Tollway Ltd (IRBTCTL)	Tumkar-Chitradurga (NH 4)	114	December 2042	3
4.	M.V.R. Infrastructure and Tollways Ltd (MITL)	Omallur-Salem-Namakkal	68.6	January 2027	1
5.	IRB Pathankot Amritsar Toll Road Ltd (IRBPATRL)	Pathankot-Amritsar (NH 15)	102.4	July 2036	0.4
6.	IDAA Infrastructure Ltd	Bharuch-Surat	65	May 2022	3
7.	IRB Surat Dahisar Tollway Ltd	Surat-Dahisar	239	March 2022	8

Source: CRISIL Quantix, company reports, CRISIL Research

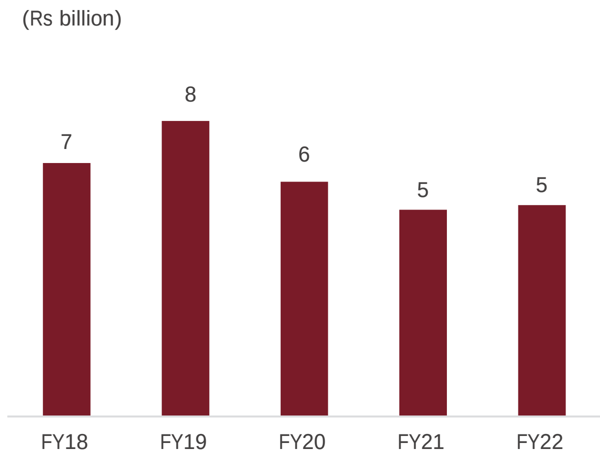
Revenue trend



Ebitda trend



NDCF trend



Note: The above parameters represent the company's standalone financials as of March 2022, and may include, as applicable, reclassification/adjustments to the reported financials by the entity.

Source: CRISIL Quantix, company reports, CRISIL Research

IRB InvIT was established in 2017 with IRB holding 15.97% units in the InvIT. It has five operational BOT-toll projects across 2,200 km under its portfolio, with an enterprise value of Rs 5.5 billion. The concession period for the Bharuch-Surat and Surat-Dahisar projects ended on March 31, 2022 and May 25, 2022, respectively. Furthermore, IRB InvIT is looking to acquire VK1 Expressway Private Ltd.

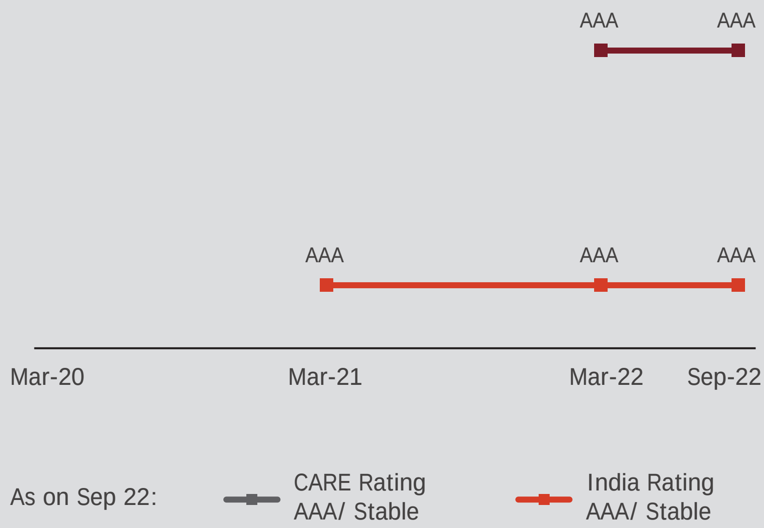
In fiscal 2022, the InvIT generated revenue of Rs 5.48 billion and Ebitda of Rs 4.64 billion. Toll collections for the fiscal totaled Rs 17.75 billion, while NDCF was Rs 5.47 billion. The InvIT's leverage is comfortable with a gearing ratio of 0.2. The InvIT derives support from the established track record of the sponsor group, strong coverage metrics and a comfortable leverage position. On the other hand, the refinancing risk poses a threat as over 65% of the debt is scheduled to be repaid in the last four years of the loan repayment period.

National Highways Infra Trust

Company name	National Highways Infra Trust
Incorporation year	2020
About the company	National Highways Infra Trust was set up by National Highways Authority of India (NHAI; the sponsor) on October 19, 2020, as an irrevocable infrastructure trust under the provisions of the Indian Trusts Act, 1882.

Company outstanding rating

National Highways Infra Trust – long-term rating



Key financial parameters (FY22)

Figures in Rs billion

Total revenue	**2**	Ebitda	**2**
Toll collections	**1**	Net debt	**14**
Net distributable cash flows (NDCF)	**1**	Gearing (x)	**0.18**

Note: The above parameters represent the company's standalone financials as of March 2022, and may include, as applicable, reclassification/ adjustments to the reported financials by the entity.

Source: CRISIL Quantix, company reports, CRISIL Research

Project portfolio

Sr No	Project name	KM
1.	Abu Road-Swaroopganj	31
2.	Chittorgarh-Kota and Chittorgarh Bypass	160.5
3.	Palanpur/ Khemana-Abu Road	45
4.	Kothakota Bypass-Kurnool Highway	74.62
5.	Maharashtra/ Karnataka Border (Kagal) Highway	77.70

Note: SPV name, Concession end date and Gross toll collection for above projects were unavailable.

Source: CRISIL Quantix, company reports, CRISIL Research

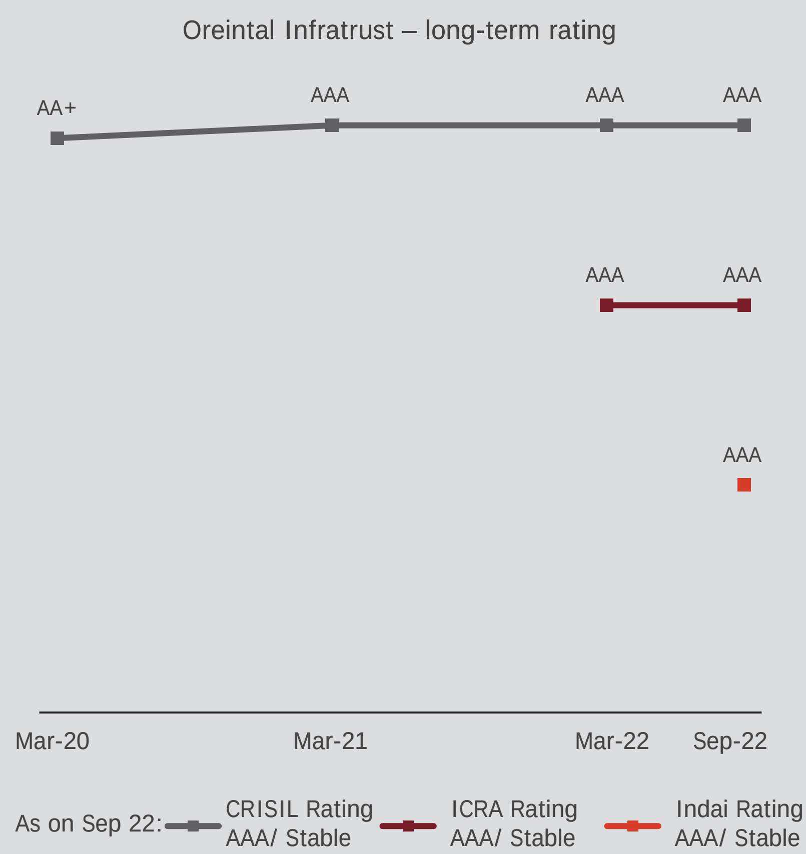
National Highways Infra Trust was set up by NHAI in 2020. It has five operational toll road assets and plans to buy three more assets.

In fiscal 2022, the InvIT had a total revenue of Rs 2.4 billion and Ebitda of Rs 2 billion. Toll collections totaled Rs 1.3 billion, while NDCF was Rs 1.3 billion. The InvIT's leverage is comfortable with a gearing ratio of 0.2. The InvIT derives support from an experienced sponsor, geographical diversification, comfortable debt coverage, and long-term revenue visibility. On the other hand, risks arising from traffic volatility and maintenance costs are constraints.

Oriental Infratrust

Company name	Oriental Infratrust
Incorporation year	2019
About the company	Oriental Infratrust (OIT) was set up as an irrevocable trust under the Indian Trusts Act, 1882. It is registered with the SEBI as an InvIT under the SEBI (Infrastructure Investment Trusts) Regulations, 2014. OIT is sponsored by Oriental Structural Engineers Pvt Ltd (OSE) and Oriental Tollways Pvt Ltd (OTPL) and has five road projects (four toll and one annuity). As sponsors, OSE and OTPL together hold 60% stake, and sovereign funds and multilateral holdings, including body corporates, hold the balance 40%.

Company outstanding rating



Key financial parameters (FY22)

Figures in Rs billion

Total revenue	**7**	Ebitda	**7**
Toll collections	**15**	Net debt	**24**
Net distributable cash flows (NDCF)	**4**	Gearing (x)	**0.83**

Note: The above parameters represent the company's standalone financials as of March 2022 and may include, as applicable, reclassification/adjustments to its reported financials.

Source: CRISIL Quantix, company reports, CRISIL Research

Project portfolio

Sr No	SPV	Project name	Km	End of concession	Gross toll collection - FY22 (Rs billion)
1.	Oriental Nagpur Bye Pass Construction Pvt Ltd (ONBPCPL)	Nagpur Bye Pass Project	117	April 2037	3.2
2.	Oriental Pathways (Indore) Pvt Ltd (OPIPL)	Indore Khalghat	72	September 2026	1.3
3.	Etawah-Chakeri (Kanpur) Highway Pvt Ltd (ECKHPL)	Etawah-Chakeri	160	December 2030	4.2
4.	OSE Hungund Hospet Highways Pvt Ltd (HHPL)	Hungund Hospet	97	September 2029	1.5
5.	Oriental Nagpur Betul Highway Ltd (ONBHL)	Nagpur Betul	175	March 2032	4.3

Source: CRISIL Quantix, company reports, CRISIL Research

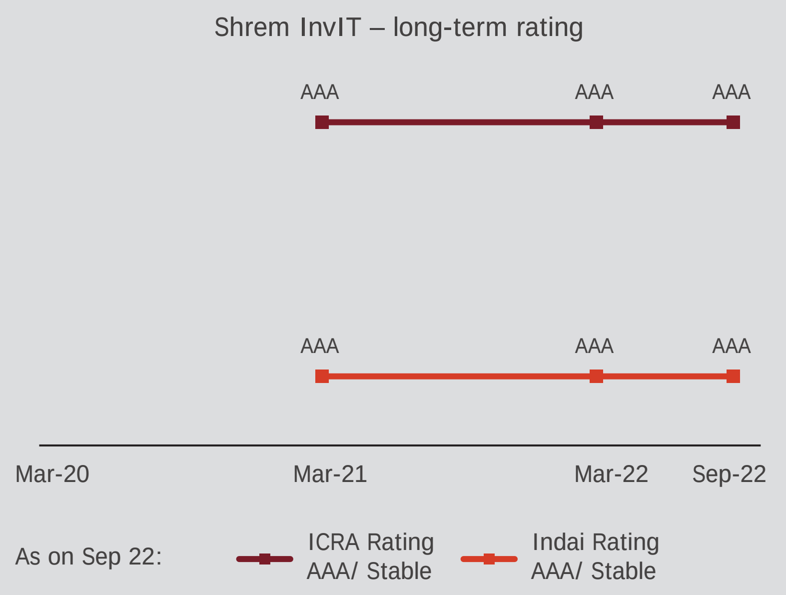
Oriental Infratrust was incorporated in 2019. It is sponsored by Oriental Structural Engineers and Oriental Tollways Pvt Ltd. The sponsors together hold 60% share in the trust. There are five operational toll road assets under the trust.

In fiscal 2022, its total revenue stood at Rs 6.7 billion. Total toll collection stood at Rs 14.5 billion and NDCF at Rs 4.2 billion. With a gearing ratio of 0.8, the leverage of the InvIT remained on the higher side. The InvIT derives support from the established track record of toll collection and favorable location of the projects, while its susceptibility to volatility in traffic acts as a constraint.

Shrem InvIT

Company name	Shrem InvIT
Incorporation year	2021
About the company	Shrem InvIT is an irrevocable trust set up under the Indian Trusts Act, 1882 and registered with the SEBI as an InvIT under the SEBI (Infrastructure Investment Trusts) Regulations, 2014. The trust currently owns, operates and maintains a portfolio of 24 road assets across five states in India (Madhya Pradesh, Uttar Pradesh, Gujarat, Maharashtra and Karnataka).

Company outstanding rating



Key financial parameters (FY22)

Figures in Rs billion

Total revenue	**4**	Ebitda	**4**
Toll collections	**1**	Net debt	**26**
Net distributable cash flows (NDCF)	**3**	Gearing (x)	**0.40**

Note: The Above parameters represent the company's standalone financials as of March 2022 and may include, as applicable, reclassification/ adjustments to its reported financials.

Source: CRISIL Quantix, company reports, CRISIL Research

Project portfolio

Sr No	SPV	Project name	Km
1.	DBL Lucknow Sultanpur Highways Ltd (DLSHL)	Lucknow-Sultanpur section of NH 56	666.77
2.	DBL Kalmath Zarap Highways Ltd (DKZHL)	Kalmath-Zarap section of NH 17	267.40
3.	DBL Yavatmal Wardha Highways Pvt Ltd (DYWHPL)	Yavatmal-Wardha section of NH 361	370.55
4.	DBL Tuljapur Ausa Highways Ltd (DTAHL)	Tuljapur-Ausa (including Tuljapur bypass) section of NH 361	376.96
5.	DBL Wardha Butibori Highways Pvt Ltd (DWBHPL)	Wardha-Butibori section of NH 361	351.93
6.	DBL Mahagaon Yavatmal Highways Pvt Ltd (DMYHPL)	Mahagaon to Yavatmal section of 361 National Highway	450.42
7.	DBL Ashoknagar Vidisha Tollways Ltd (DAVTL)	Bypass junction of Ashoknagar (0/10 km) to Bangla Chauraha	107.04
8.	DBL Betul Sarni Tollways Ltd (DBSTL)	Augmenting the existing road from km 0.00 (Kamani Gate Betul) to 124.10 km	372.30
9.	DBL Hata-Dargawan Tollways Ltd (DHDTL)	Augmenting the existing road from 0.00 km (Damoh Naka in Ilatta town) to 64.40 km	193.20
10.	DBL Silwani Sultanganj Tollways Ltd (DBL Silwani)	Silwani-Sultanganj-Jaisinghnagar-Sagar Road s ection of State Highway number 15	228.00
11.	DBL Sitamau Suwasara Tollways Ltd (DSSTL)	Sitamau-Basai-Suwasara section	104.91
12.	DBL Mundi-Sanawad Tollways Ltd (DMSTL)	Mundi-Punasa- Sulgaon- Sanawad section of the major district road	202.89
13.	DBL Uchera-Nagod Tollways Ltd (DUNTL)	Augmenting the existing road from 32.00 km (near Nagod National Highway 75) to 87.00 km (near Uttar Pradesh Border)	166.80
14.	DBL Sardarpur Badnawar Tollways Ltd (DSBTL)	Sardarpur-Badnawar Road section of State Highway 34	129.00
15.	DBL Patan Rehli Tollways Ltd (DPRTL)	State Highway number 15 Rehli-Gorjhamar -Patan Chok and cross the junction	259.80
16.	DBL Tikamgarh- Nowgaon Tollways Ltd (DTNTL)	Tikamgarh-Malehra road (State Highway 10) to km 107 of Jhansi-Nowgaon (National Highway 76)	229.20
17.	DBL Nadiad Modasa Tollways Ltd (DNMTL)	Nadiad-Madhudha-Kathial- Kapadwanj-Bayad-Modasa	325.20

Project portfolio

Sr No	SPV	Project name	Km
18.	DBL Bankhalafata- Dogawa Tollways Ltd (DBDTL)	i) Bankhalafata-Dogawa-via-Borawa-Savardevala (23.67 km); (ii) Punasa-Mundi-Singhaji (thermal power plant) and Singhaji bridge approach road (13.30 km); and (iii) Beed-Mundi-Devala-Khutala-Attoot	196.20
19.	DBL Jaora-Sailana Tollways Ltd (DJSTL)	(i) Jaora-Piplodha-Jalandharkheda and Piploda-Sailana (42.27 km); (ii) Raipururiya- Petlabad-Bamniya (18.18 km); (iii) Jawad-Khoh (21.07 km); and (iv) Soyat-Pidawa (6.25 km) (total length of 87.77 km)	263.31
20.	DBL Mundargi Harapanahalli Tollways Ltd (DMHTL)	Augmenting the existing State Highway from Mundargi- Hadagali-Harapanahalli	153.63
21.	DBL Hassan Periyapatna Tollways Ltd (DHPTL)	State Highway from Hassan Ramanathapura-Periyapatna	- 221.07
22.	DBL Hirekerur Ranibennur Tollways Ltd (DHRTL)	State Highway from Hirekerur -Ranibennur	167.07
23.	Jalpa Devi Tollways Ltd (JDTL)	Guna-Biaora section of National Highway	506.70
24.	Suryavanshi Infrastructure Pvt Ltd (Suryavanshi Infra)	Reconstruction, strengthening, widening and rehabilitation of Mandsaur-Sitamau section from existing km stone 18 and ends at the existing km stone 62 at Chambal River	132.00

Note: Concession end date and Gross toll collection for above projects were unavailable.

Source: CRISIL Quantix, company reports, CRISIL Research

Incorporated in 2021, Shrem InvIT commenced operations the same year by acquiring 24 road assets. The InvIT has 24 road assets with an aggregate lane km of approximately 6,422.35 km. The enterprise value of the assets stood at Rs 65 billion as on March 31, 2022, as per the valuation report published by the company and its annual report.

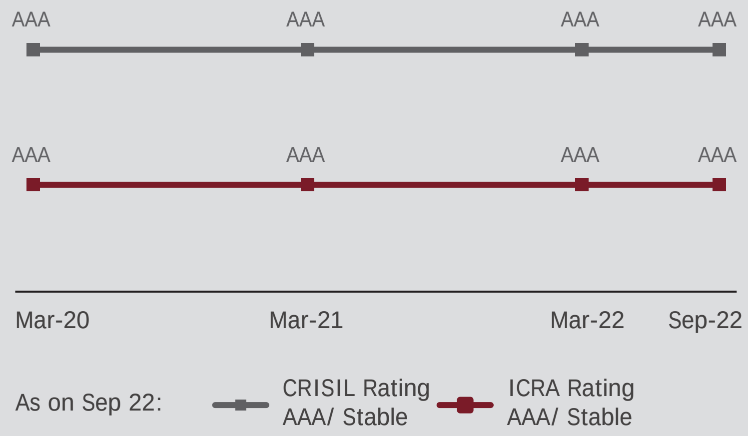
In fiscal 2022, its total revenue stood at Rs 3.9 billion and EBITDA at Rs 3.6 billion. Total toll collections stood at Rs 0.6 billion and NDCF at Rs 2.9 billion. With a gearing ratio of 0.4, the trust's leverage was manageable. It derives support from the decent coverage metrics and steady cash flows. However, limited track record of income distribution and proposed plans of raising debt act as constraints.

IndInfravit Trust

Company name	IndInfravit Trust
Incorporation year	2018
About the company	IndInfravit Trust is an InvIT formed on March 7, 2018, as per the SEBI's InvIT regulations. L&T IDPL is its sponsor, LTIDPL INDVIT Services Ltd (LISL) its investment manager, and IDBI Trusteeship Services Ltd its trustee. IndInfravit Trust got listed on the National Stock Exchange and Bombay Stock Exchange on May 9, 2018.

Company outstanding rating

IndInfravit Trust – long-term rating



Key financial parameters (FY22)

Figures in Rs billion

Total revenue	**10**	Ebitda	**1**
Toll collections	**17**	Net debt	**36**
Net distributable cash flows (NDCF)	**3**	Gearing (x)	**0.40**

Note: The above parameters represent the company's standalone financials as of March 2022 and may include, as applicable, reclassification/ adjustments to its reported financials.

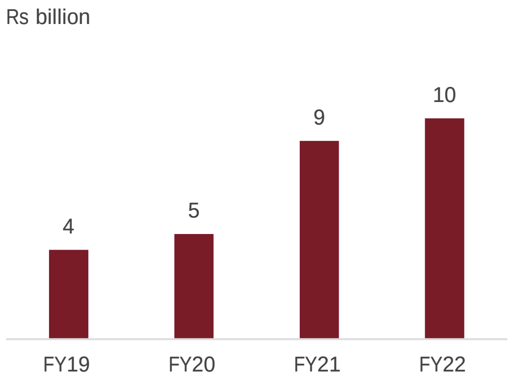
Source: CRISIL Quantix, company reports, CRISIL Research

Project portfolio

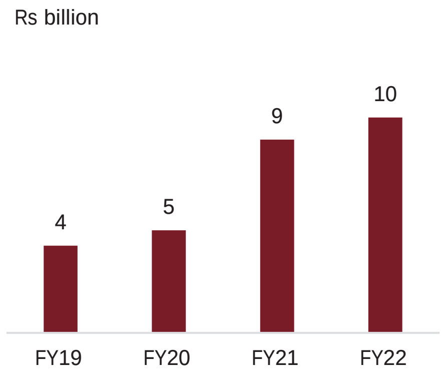
Sr No	SPV	Project name	Km	End of concession	Gross toll collection - FY22 (Rs billion)
1.	Beawar Pali Pindwara Tollway Pvt Ltd	Beawar Pali Pindwara of NH-25, NH-162 & NH-62	244.12	23 years	4.6
2.	Bhilwara - Rajsamand Tollway Pvt Ltd	Bhilwara - Rajsamand (NH 8)-Gangapur–Bhilwara (NH 79) NH-758	87.25	22 years.	0.3
3.	Shreenathji - Udaipur Tollway Pvt Ltd	Gomati Chauraha -Udaipur Section of NH-8	79.31	27 years	1.1
4.	Krishnagiri Thopur Toll Road Pvt Ltd	Krishnagiri Thopur of NH-44	86	20 years	2.1
5.	Krishnagiri Walajahpet Tollway Pvt Ltd	Krishnagiri Walajahpet of NH-48	148.30	30 years	2.1
6.	Devihalli Hassan Tollway Pvt Ltd	Devihalli Hassan of N H-75 Project	77.228	30 years	5.1
7.	Bijapur- Hungund Tollway Pvt Ltd	Bijapur – Hungund Section of NH50	97.22	20 years	1.3
8.	Mysore- Bellary Highway Pvt Ltd	Existing State Highway (SH-3 & 33)	193.344	10 years	1.4
9.	Western Andhra Tollways Pvt Ltd	Jadcherla to Kothakota section of NH-44	55.740	20 years	0.9
10.	Hyderabad - Yadgiri Tollway Pvt Ltd	Hyderabad-Yadgiri Section of NH-163	35.70	23 years	0.9
11.	Aurangabad - Jalna Toll Way Pvt Ltd	Aurangabad to Jalna, Beed Bypass, Zalta Bypass	65.80	23.5 years	0.6
12.	Dhule Palesner Tollway Pvt Ltd	MP/Maharashtra Border – Dhule Section of NH – 3	96.5	18 years	2.0
13.	Nagpur - Seoni Express Way Pvt Ltd (Old NH-7)	Nagpur – Seoni of NH-44	596.750	20 years	0.4

Source: CRISIL Quantix, company reports, CRISIL Research

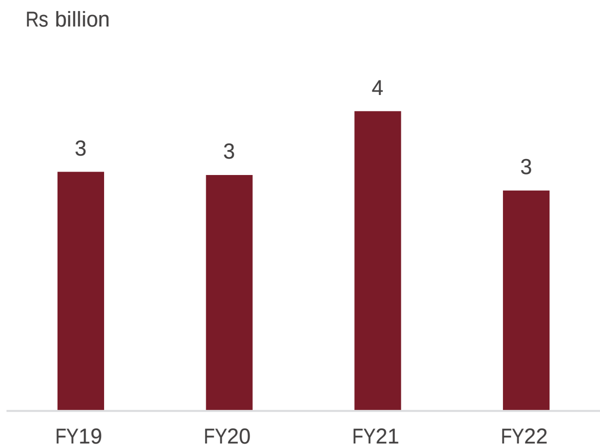
Trend in revenue



Trend in Ebitda



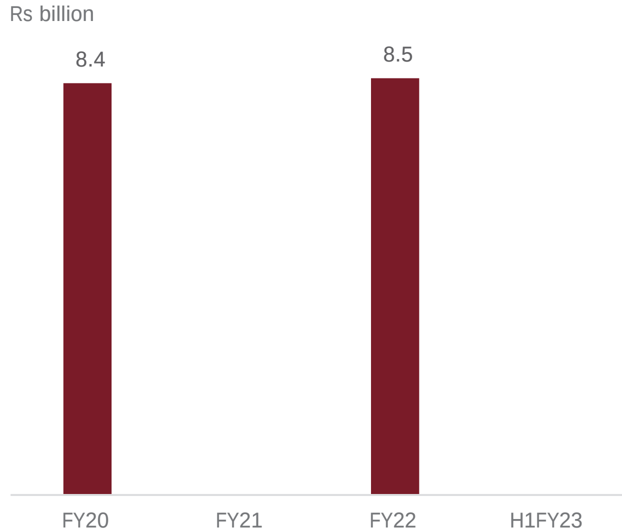
Trend in NDCF



Note: The above parameters represent the company's standalone financials as of March 2022 and may include, as applicable, reclassification/ adjustments to its reported financials.

Source: CRISIL Quantix, company reports, CRISIL Research

NCD issuances



Source: Prime database, CCIL-FTRAC, CRISIL Research

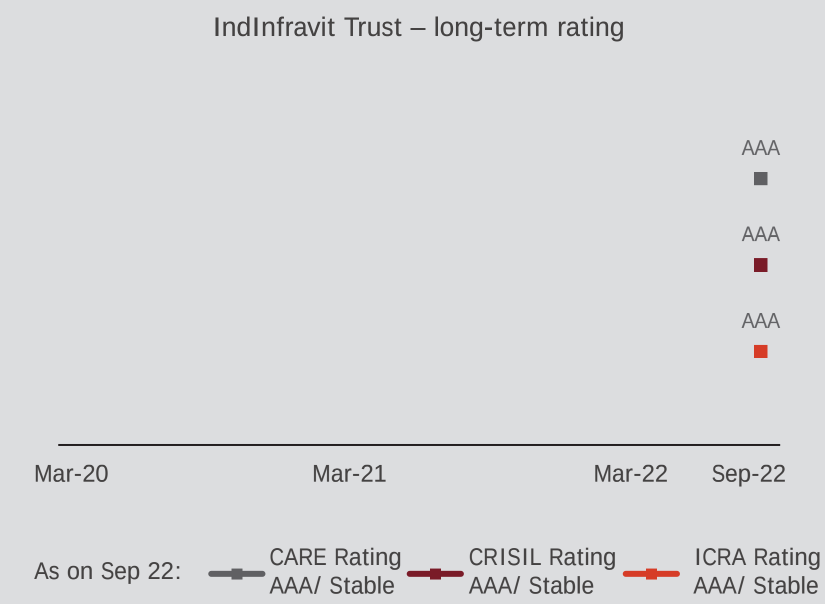
IndInfravit Trust was incorporated in 2018. At present, its portfolio has 13 assets, of which five were acquired from L&T Infrastructure Development Projects Ltd (L&T IDPL) and 8 from SIPL. As many as 11 projects have signed concession agreements with the NHAI and two have state entities as the concession authorities. These projects have a healthy track record of operations with 12 assets being operational for more than five years. Around 90% of the revenue is generated from 11 toll projects and the balance from 2 annuity projects.

In fiscal 2022, the InvIT's total revenue stood at Rs 9.6 billion and EBITDA Rs 0.6 billion. Total toll collections stood at Rs 16.7 billion and NDCF at Rs 3.2 billion. The trust had a gearing ratio of 0.4. Its rating derives support from the experience of the prestigious investors, healthy financial flexibility and robust debt protection metrics driven by favourable location of the project stretches. However, exposure to volatility in traffic and susceptibility to volatility in operation costs act as constraints.

Cube Highways Trust

Company name	Cube Highways Trust (CHT)
Incorporation year	2022
About the company	CHT is registered as an irrevocable trust under the Indian Trusts Act, 1882, and as an infrastructure investment trust (InvIT) under SEBI (Infrastructure Investment Trusts) Regulations, 2014, since April 22, 2022. CHT is sponsored by CHI, which is invested in by Cube and is expected to acquire an initial portfolio of 19 operational projects (18 toll road and 1 annuity road).

Company outstanding rating



Key financial parameters (FY22)

Figures in Rs billion

Total revenue	24	Ebitda	11
Toll collections	21	Net debt	135

Note: The above parameters are as of March 2022, and may include, as applicable, reclassification / adjustments to the reported financials by the entity.

Source: CRISIL Quantix, company reports, CRISIL Research

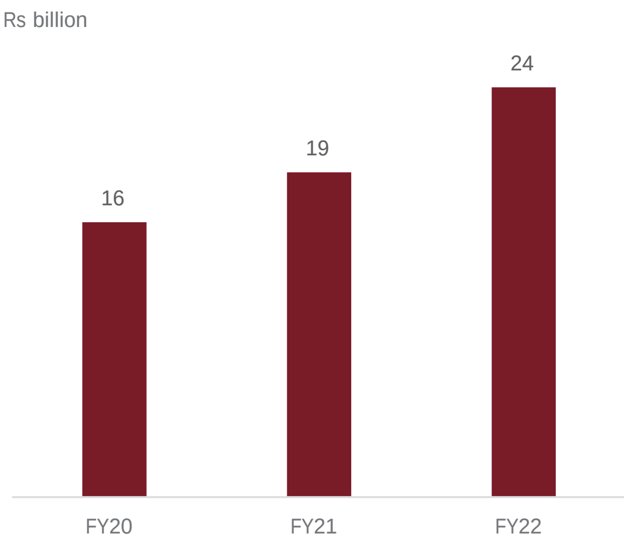
Project portfolio

Sr No	SPV	Project name	Km
1	Andhra Pradesh Expressway Ltd	Kurnool – Kothkota	75
2	Western UP Tollway Ltd	Meerut – Muzaffarnagar	78
3	Jaipur-Mahua Tollway Ltd	Jaipur – Mahua section of Jaipur – Agra	109
4	Mahua-Bharatpur Expressways Ltd	Mahua - Bharatpur section of Jaipur – Agra	57
5	Farakka-Raiganj Highways Ltd	Farakka - Raiganj	100
6	Walayar Vadakkencherry Expressways Pvt Ltd	Walayar Vadakkencherry	53.5
7	DA Toll Road Pvt Ltd	NCR, Delhi and Agra	179.5
8	Nelamangala Devihalli Expressway Pvt Ltd	Nelamangala - Devihalli	80
9	Hazaribagh Tollway Ltd	Hazaribagh – Ranchi	73.8
10	Jhansi-Lalitpur Tollway Ltd	Jhansi - Lalitpur	49.3
11	Jhansi-Vigakhet Tollway Ltd	Jhansi - Vigakhet	49.3
12	Kotwa-Muzaffarpur Tollway Ltd	Kotwa - Muzaffarpur	80
13	Lucknow-Raebareli Tollway Ltd	Lucknow - Raebareli	70
14	Madurai-Kanyakumari Tollway Ltd	Madurai - Kanyakumari	52.3
15	Kanyakumari-Etturavattam Tollway Ltd	Kanyakumari - Etturavattam	64.2
16	Salaipudhur-Madurai Tollway Ltd	Salaipudhur - Madurai	63.5
17	Nanguneri-Kanyakumari Tollway Ltd	Nanguneri - Kanyakumari	63.5
18	Ghaziabad-Aligarh Expressway Pvt Ltd	Ghaziabad - Aligarh	125
19	NAM Expressway Ltd	Narketpally – Addanki - Medarametala	212

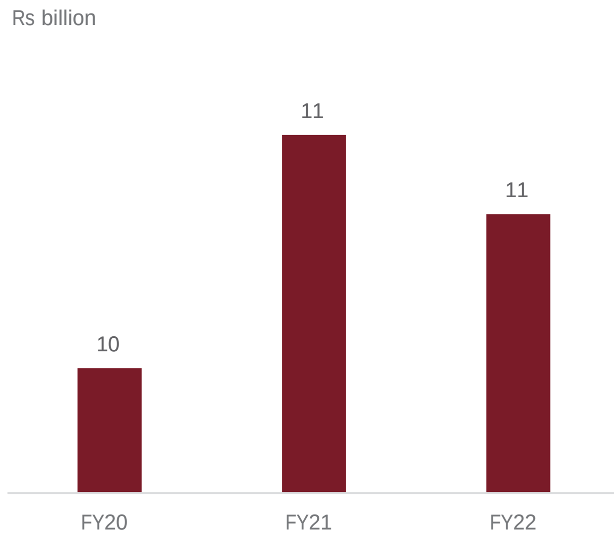
Note: Concession end date and Gross Toll collections are unavailable currently

Source: CRISIL Quantix, company reports, CRISIL Research

Trend in revenue



Trend in EBITDA



Note: The above parameters are as of March 2022, and may include, as applicable, reclassification / adjustments to the reported financials by the entity.

Source: Company reports, CRISIL Research

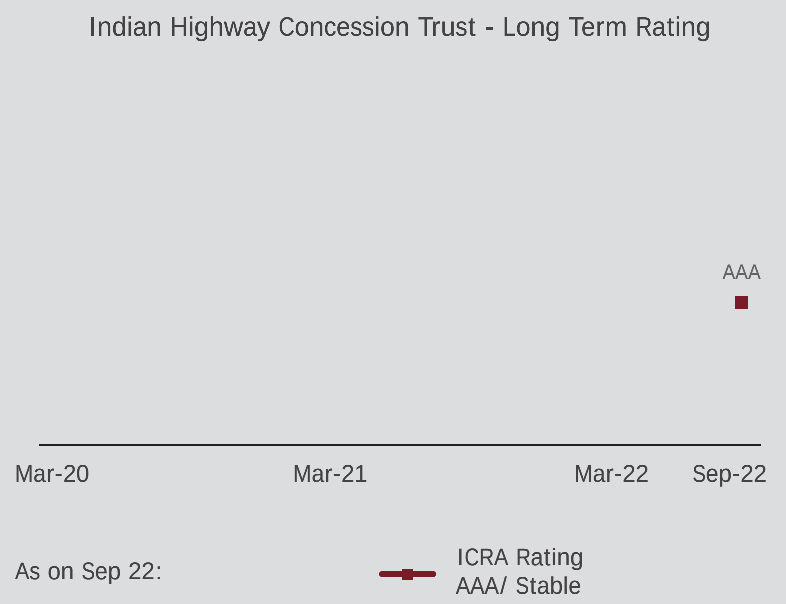
Incorporated in 2022, CHT has 19 projects across 1,637 km under its portfolio. In fiscal 2022, the InvIT logged a total revenue of Rs 23.7 billion and EBITDA of Rs 10.7 billion, and its total toll collection stood at Rs 21.2 billion.

CHT's financial profile is supported by its geographically diversified portfolio with an adequate track record; strong counterparty; robust debt protection metrics, with provision for cash sweep and creation of DSRA and MMRA; and experienced management team. However, these strengths are partially offset by susceptibility of toll revenue to volatility in traffic, the risk of development or improvement of alternative routes, and CHT's exposure to volatility in O&M and major maintenance costs, and interest rates.

Indian Highway Concession Trust

Company name	Indian Highway Concession Trust
Incorporation year	2020
About the company	IHCT is an irrevocable Trust set up under the Indian Trusts Act, 1882. On February 24, 2022, it registered with the SEBI as an InvIT under the SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended. Maple Highways Pte Ltd, an affiliate of Caisse de depot et placement du Quebec (CDPQ, rated 'Aaa, Stable' by Moody's Investors Service) is its sponsor. The investment manager (IM) is Maple Infra Invit Investment Manager Pvt Ltd. IHCT's Project Manager (PM) is Maple Highway Project Management Pvt Ltd and the Trustee is Axis Trustee Services Ltd.

Company outstanding rating



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Key financial parameters (FY22)

Figures in Rs billion

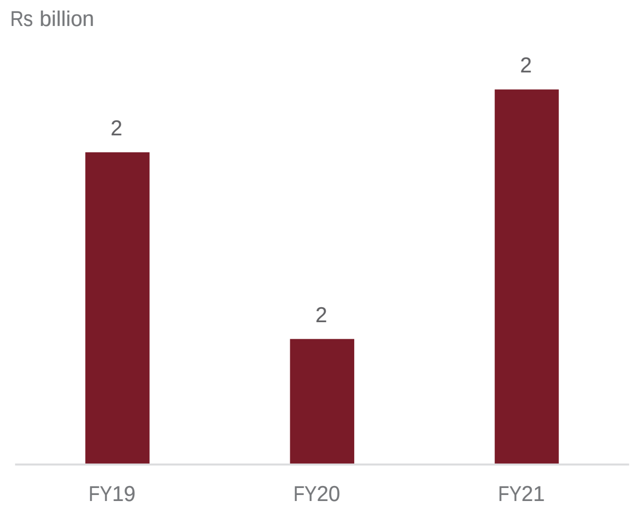
Total revenue	2	Ebitda	1
Toll collections	2	Net debt	12
Gearing (x)	0.95		

Project portfolio

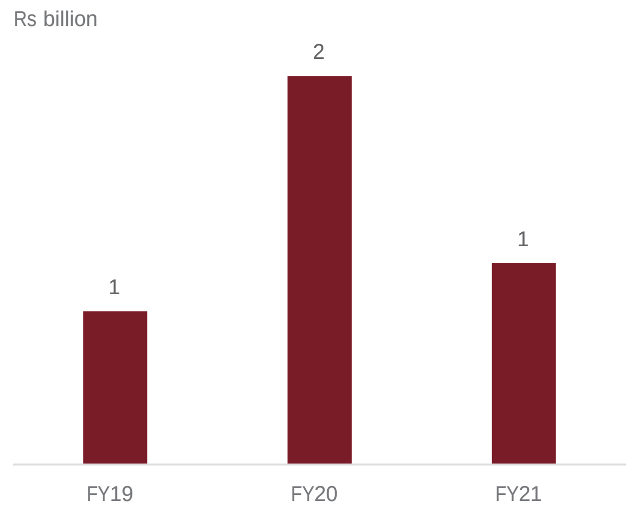
Sr No	SPV	Project name	Km	End of concession	Gross toll collection - FY22 (Rs billion)
1.	Shree Jagannath Expressways Private Limited	Bhubhaneshwar - Chandikhole	67	December 2037	1.8
2.	NCR Eastern Peripheral Expressway Pvt Ltd	Kundli–Ghaziabad–Palwal	135	-	-
3.	Durg Shivnath Expressways Pvt Ltd	Durg Shivnath	18.5	-	-

Source: CRISIL Quantix, company reports, CRISIL Research

Trend in revenue



Trend in Ebitda



Note: The above parameters are as of March-2021 and may include, as applicable, reclassification / adjustments to the reported financials.

Source: CRISIL Quantix, company reports, CRISIL Research

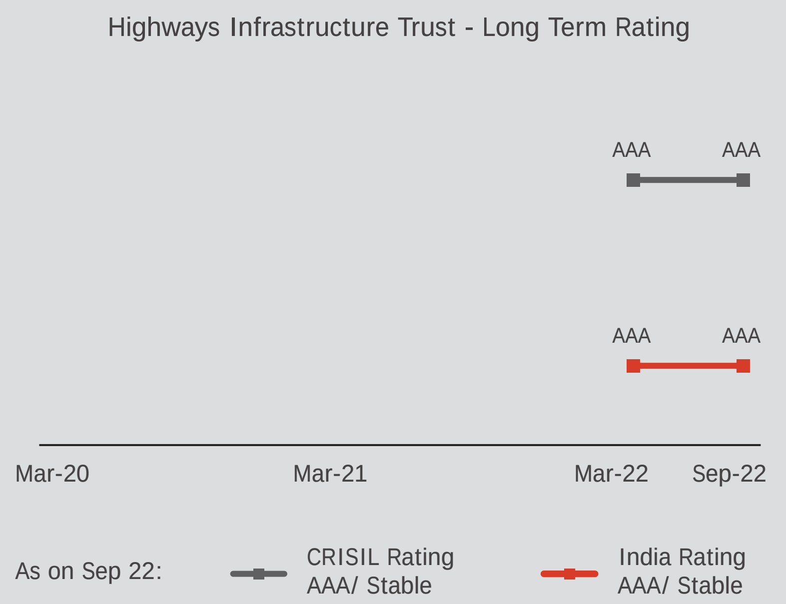
Indian Highway Concession Trust was incorporated in 2020 and has three projects across 221 km under its portfolio. In fiscal 2021, the InvIT's revenue stood at Rs 2.1 billion, Ebitda at Rs 1.5 billion and total toll collections at Rs 1.8 billion.

Its financial profile is supported by a portfolio of assets with strong operational track record, experienced promoters and decent coverage ratios. However, susceptibility of toll revenue to volatility in traffic, requirement of regular maintenance and considerable maintenance expense act as constraints.

Highways Infrastructure Trust

Company name	Highways Infrastructure Trust
Incorporation year	2021
About the company	HIT is registered as an irrevocable trust under Indian Trust Act, 1882, and as an InvIT under SEBI's Infrastructure Investment Trust Regulations, 2014 since December 23, 2021. HIT is sponsored by Galaxy, which is invested in by KKR, and has acquired an initial portfolio of six operational projects with four toll and two annuity roads.

Company outstanding rating



Key financial parameters (FY22)

Figures in Rs billion

Total revenue	**6**	Ebitda	**4**
Toll collections	**5**	Net debt	**25**

Note: The above parameters represent the company's standalone financials as of March 2022 and may include, as applicable, reclassification/ adjustments to its reported financials.

Source: CRISIL Quantix, company reports, CRISIL Research

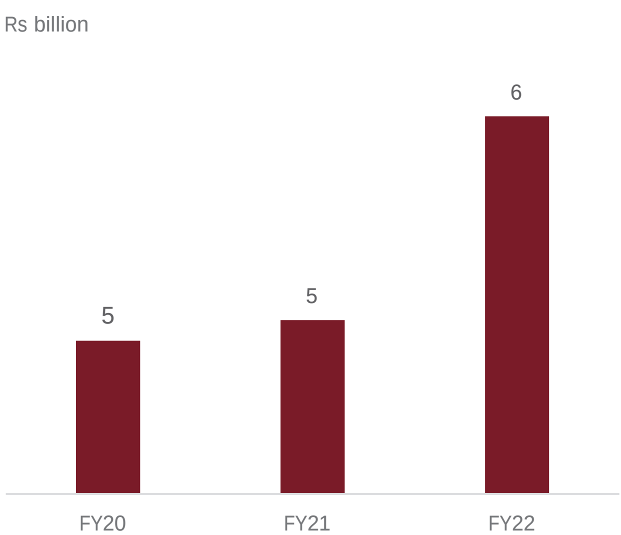
Project portfolio

Sr No	SPV	Project name	End of concession	Km
1	Jodhpur Pali Expressway Pvt. Ltd (JPEPL)	Jodhpur – Pali	21 years	71.5
2	Godhra Expressways Pvt. Ltd	Godhra – Gujrat/ MP border	21 years	87.1
3	Dewas Bhopal Corridor Pvt. Ltd	Indore – Bhopal	10.5 years	140
4	Ulundurpet Expressways Pvt. Ltd	Tindivanam - Ulundurpet	4 years	72
5	Nirmal BOT Ltd	Kadtal – Armur	5 years	31
6	Shillong Expressway Pvt. Ltd	Shillong Bypass	3.5 years	48

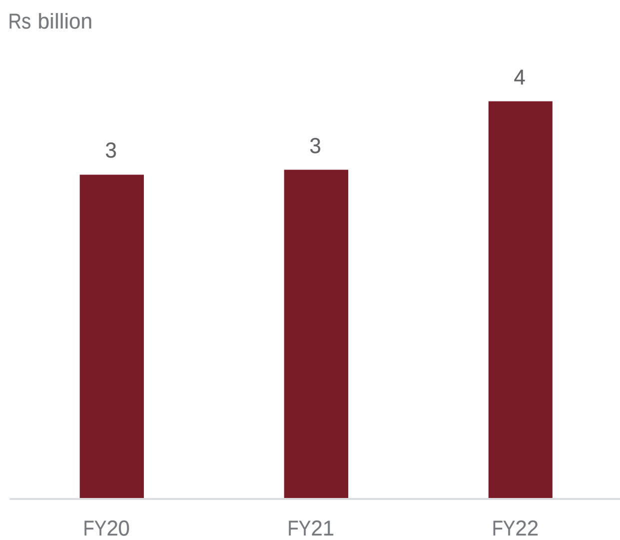
Note: Gross Toll collections are unavailable

Source: CRISIL Quantix, company reports, CRISIL Research

Revenue trends



EBITDA trends



Note: Above parameters are as of March-2022 and may include, as applicable, reclassification / adjustments to the reported financials by the entity.

Source: CRISIL Quantix, company reports, CRISIL Research

The Highways Infrastructure Trust was established in 2022. The InvIT has road projects across 449 km under its portfolio. In fiscal 2022, the InvIT had a total revenue of Rs 6.1 billion and EBITDA of Rs 4.1 billion. The total toll collections for the fiscal stood at Rs 4.5 billion, while the net debt was Rs 25.1 billion.

The rating of the InvIT derives support from the established track record of the sponsor group and strong coverage metrics. On the other hand, the exposure to traffic volatility, the requirement of undertaking maintenance and capex regularly act as major weaknesses for the financial profile.

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Peer comparison for REITS

		Key financial parameters (FY22)									
Sr. No	REIT	Gross Asset Value (Rs billion)	Net Distributable Cash flows (Rs billion)	EBITDA (Rs billion)	Net operating income (Rs billion)	Weighted average lease expiry (years)	In-place rent (Rs psf/month)	Leasable area (msf)	Leverage %	Occupancy %	Market to market potential %
1	Embassy REIT	490	21	26	25	7.0	75	42.8	24%	87%	24%
2	Brookfield India REIT	160	7	12	8	7.1	62.7	18.6	31%	87%	19%
3	Mindspace Business Parks REIT	264	11	12	15	6.9	61.7	31.8	15.7%	84%	16%

Peer comparison for Road INVITs

		Key financial parameters (FY22)					
Sr. No	INVIT	Total Revenue(Rs billion)	Toll Collections(Rs billion)	Net Distributable Cash Flows (Rs billion)	EBITDA (Rs billion)	Net Debt(Rs billion)	Gearing (x)
1	Shrem INVIT	4	1	3	4	26	0.40
2	Indinfravit Trust	10	17	3	1	36	0.40
3	IRB INVIT Fund	5	18	5	5	14	0.22
4	National Highways Infra Trust	2	1	1	2	14	0.18
5	Oriental Infrastrust	7	15	4	7	24	0.83
6	Cube Highways Trust	24	21	NA	11	135	NA
7	Highways Infrastructure Trust	6	5	NA	4	25	NA
8	Indian Highway Concession Trust^	2	2	NA	1	12	NA

Peer comparisonfor Power INVITs

		Key financial parameters (FY22)									
Sr. No	INVIT	Total Revenue(Rs billion)	EBITDA (Rs billion)	Net Distributable Cash Flows (Rs billion)	Assets under management(Rs billion)	Equity raised since inception(Rs billion)	Solar generation capacity (AC, MW)	Geographical diversification	Length of transmission lines (ckms)	Total transformation capacity (MVA)	Distribution (Rupee per unit)	Number of projects
1	IndiGrid Trust (India Grid Trust)	22	20	9	211	66	100	18 states & 1 UT	7570.0	13550.0	12.8	NA
2	PGCIL INVIT	12	12	10	102	NA	NA	5 States	3698.6	6630.0	10.5	NA
3	Virescent Renewable Energy Trust	4	3	1	39	NA	500	6 States	NA	NA	6.1	14.0

Note: 1. Above parameters represent standalone financials of the company as of March -2022 and may include, as applicable, reclassification/adjustments to the reported financials by the entity.

2. ^ financial data for these companies represent standalone financials of the company as of March 2021

3. NA: Not available

Source: CRISIL Quantix

About TRUST

TRUST Group is India's leading full-service finance house with leadership in the debt capital markets along with fast-growing asset and wealth management vertical.

With over 20 year of experience, we provide solutions and services across multiple asset classes like debt, equity and real estate.

Partnership with clients. Value-creation beyond transaction. Longevity and long-term perspective. Above all, CLIENT FIRST. This is our DNA.

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Team strength of over 300 people

Demonstrated track record of 20+ Years

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Awarded 'Best Bond Adviser - Domestic' by The Asset Country Awards 2018

Awarded 'India Bond House' for the year 2017 & 2014 by IFR Asia

Won the Skoch BSE Award 2017 for Innovation and Market Leadership

Received BSE's Top Performer Award in Wholesale Debt Market (Corporate Bonds) - 8 years in a row (2011-12 - 2018-19) & 2021-22

Received BSE's Top Performer Award in Primary Market Segment (Debt Public Issue Bids - Members) for the year 2018-19, 2019-20, 2021-22

Received BSE's Top Performer Award in the Corporate Bonds Settlement for the year 2018-19, 2020-21, 2021-22

Received BSE's Top Performer Award in the Wholesale Debt Market (Government Securities) for the year 2020-21

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Investment Banking Solutions	Investment banking at TRUST is not just about transactions, we Offer comprehensive capital structure solutions across debts, equity and real estate markets. Innovation and structuring capabilities within defined time period differentiate us from our peers.
Capital Market Services	We are an active capital market intermediary offering value-added access. Intermediation and distribution services across debt, equity and real estate markets.
Asset Management & Advisory	We offer debt and equity asset management services to individuals, corporates and institutions. These services are focused on achieving disciplined and superior long term risk-adjusted returns for high quality capital.
Wealth Management & Family Office Solutions	We provide a unique client-centric advisory platform offering bespoke solutions for wealth management and family office management, under the brand and entity of Trust Plutus Wealth Managers (India) Private Limited.

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Equity

Real Estate

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