



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India



Introduction to Infrastructure Investment Trusts (InvITs)

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What are InvITs? - Overview



- InvITs stands for Infrastructure Investment Trusts.
- InvITs are also like mutual funds that pool money from investors.
- InvITs own and operate operational infrastructure assets like highways, roads, pipelines, warehouses, power plants, etc. They offer regular income (via dividends) and long-term capital appreciation.
- InvITs allow pooling of money from multiple investors into a single trust
 - Trust which is professionally managed by an Investment Manager
 - Investment Manager invests in infrastructure assets or special purpose vehicles (SPVs) holding such infrastructure assets.
- There are listed InvITs, which are traded on the stock exchanges and investors can buy and sell InvIT units just like trading of shares of any listed company.
- There are unlisted InvITs as well, in which large institutional investors can participate.

Structure of InvITs



Sponsor

- Sets up InvIT
- Lock-in restrictions

Investor

- No lock-in – units freely tradeable from listing date

Trustee

- Holds InvIT's assets for the benefit of unit holders

Trusteeship Fee

Asset Management Fee

Investment Manager

- Manages and makes investment decisions in relation to underlying assets

InvIT

100% equity

SPV 1

SPV 2

SPV 3

Assets

Assets

Assets

O&M Contracts

Project Manager

- Undertake operations and management of InvIT assets

Role of constituents in InvITs



Sponsor

- Sets up the InvIT
- Transfers its shareholdings in SPV / assets to the InvIT
- Appoints the Trustee

Trustee

- Holds the InvIT assets in trust for the benefit of the unit holders
- Responsible for ensuring that the business activities and investment policies comply with the provisions of the regulations

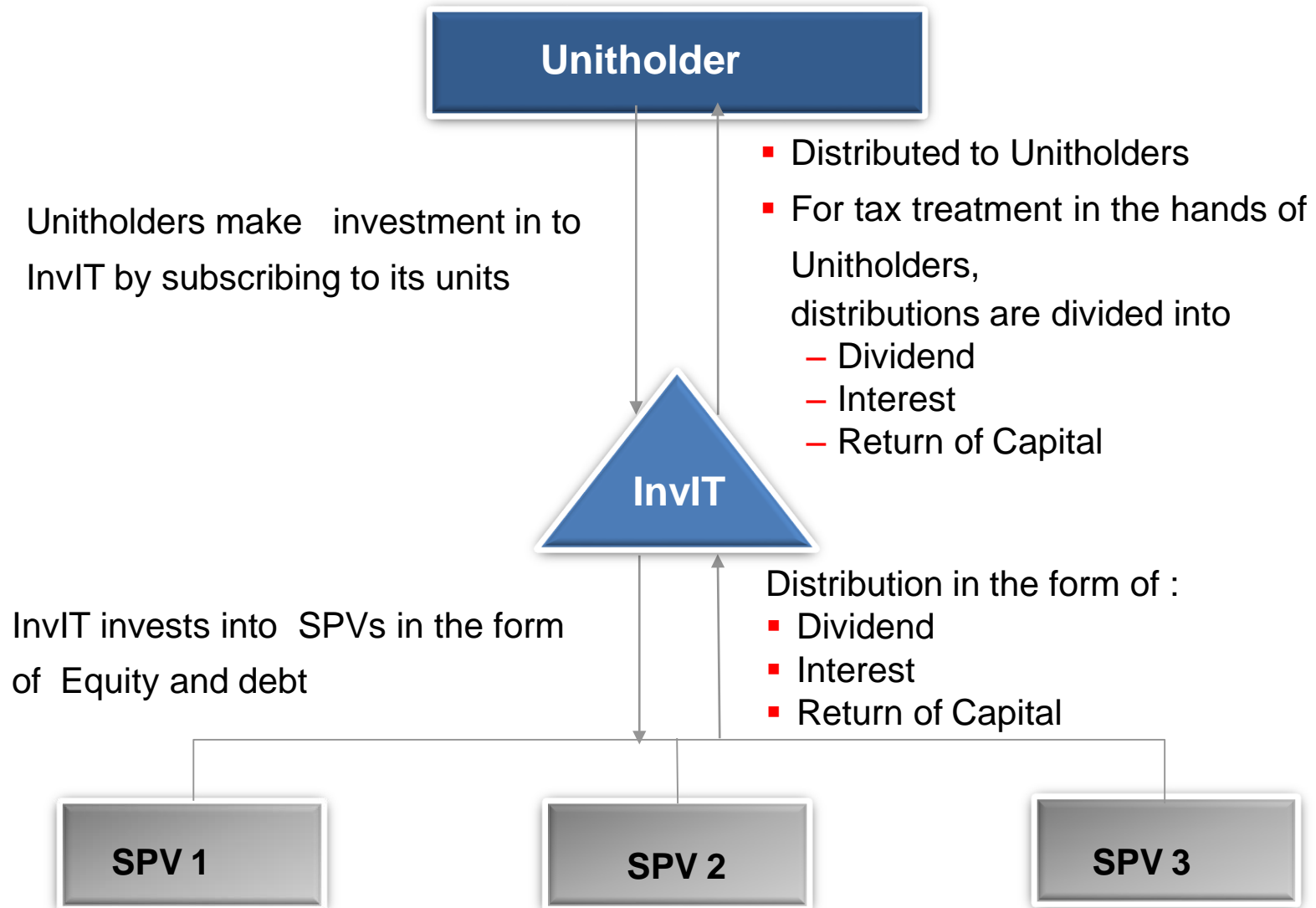
Investment Manager

- Sets the strategic direction of the InvIT and decides on the acquisition, divestment or enhancement of assets
- Responsible for all activities related to issue and listing of units
- Takes decisions on distribution to unitholders
- Makes disclosures to various stakeholders as per regulations
- Ensures redressal of investor grievances

Project Manager

- Responsible for day-to-day operations and maintenance of the assets

Cash flow in InvITs : An illustration

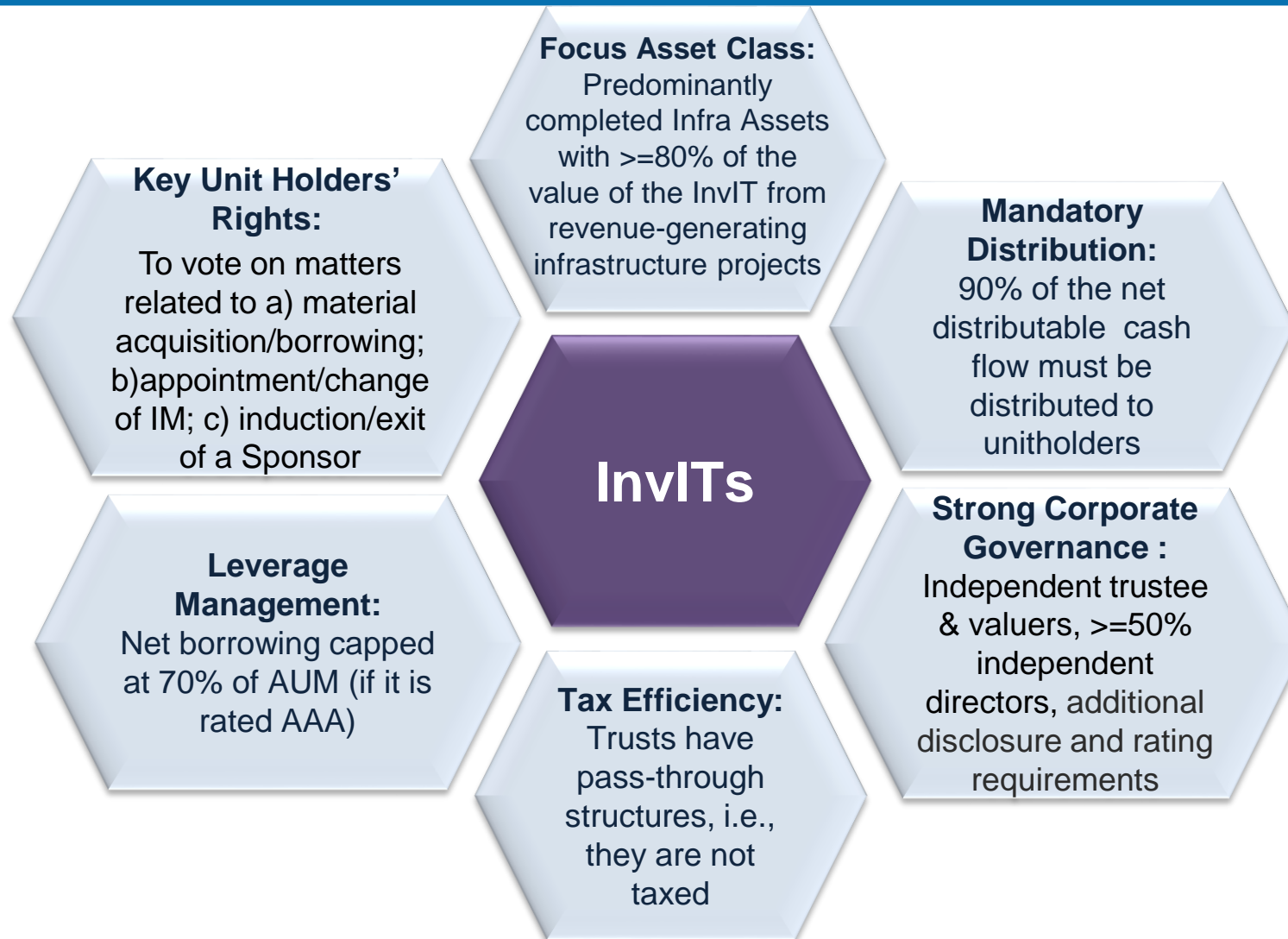


Where can an InvIT invest its funds ?



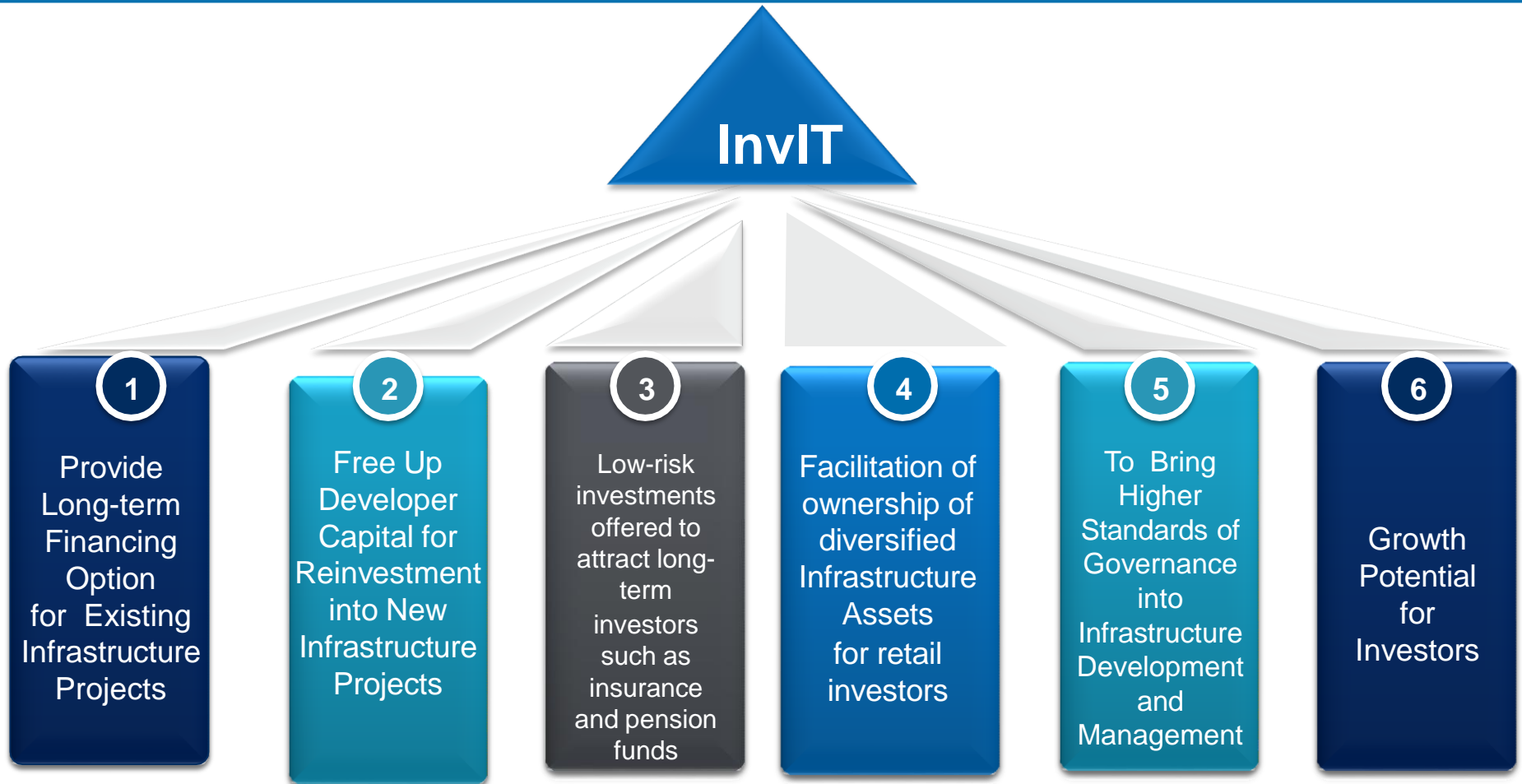
- At least 80% of the value of a public InvIT to be invested in '**completed and revenue - generating**' infrastructure projects.
- A maximum of 20% of the total value of InvITs can be from:
 - ❑ Under construction infrastructure projects
 - ❑ Listed or unlisted debt of the companies in the infrastructure sector (other than debt of Holding Company/SPV)
 - ❑ Equity of listed companies in India generating at least 80% of their income from the infrastructure sector
 - ❑ Government securities, money market instruments, liquid mutual funds or cash equivalents
- Privately placed InvITs can have any mix of under construction and completed infrastructure projects.

Key Features of InvITs



Presence of Risk Controls and Regulatory Systems Leads to Strong Corporate Governance

Benefits of investing in InvITs



InvITs facilitate creation of infrastructure assets by providing better financing and ownership opportunity while generating healthy returns for investors

Who can Invest in InvITs?



- Any investor (domestic / foreign / retail / institutional) can buy InvIT units in India;
- The minimum subscription amount for public InvITs is in the range of ₹10,000 to ₹ 15,000/- and the trading lot is 1 unit. (revised w.e.f. July 30, 2021) Previously it was ₹1 lakh & 100 units, respectively.
- Investors can purchase InvIT units through a Demat account, similar to how they would purchase equity shares;
- InvITs are suitable for those who want to take price benefits / returns from Infrastructure projects, roadways.
- InvITs are also suitable for those who wish to have infrastructure sector in their investment portfolio

How to own units of InvITs



➤ Investors can own InvITs in following manner:

- By subscribing to issue in Initial Public Issue (IPO) or Follow-on Issue of InvITs,
- By purchasing units of InvITs from Stock Exchange, where they are listed,

➤ Procedures for the bidding, application, payment, and Allotment of InvITs Units in Public Issue (IPO or Follow-on Issue)

- Price of Units shall be determined through Book building process,
- Investors are required to participate in the Issue only through the ASBA process
- An additional option to individual investors to apply in public issues of units of InvITs through UPI (upto Rs. 5 Lac)

How to own units of InvITs (.... contd.)



- Investors are required to pay the full Bid Amount or instruct the bank to block the full Bid Amount at the time of Bidding,
- Investors should note that Allotment to successful Bidders will be only in the dematerialized form,
- Mention correctly the details of the Bidders' depository accounts including DP ID, PAN and Client ID Bid cum Application Forms,
- Units of InvITs are listed on a stock exchange within 12 working days from the close of issue.

Rights of unitholders in InvITs



- Right to receive returns through cash distributions made by the trust
- Right to vote on matters pertaining to acquisition of new assets or borrowing
- Right to vote on related party matters
- Right to vote on matters such as appointment or change of the Investment Manager
- Right to vote on induction of a Sponsor, with the opportunity to exit for dissenting voters
- Right to vote on exit of Sponsor
- Right to receive periodic disclosures like annual report, valuation report, quarterly/ semi-annual financials, etc.

Taxation aspects in InvITs



Nature of Distribution	Tax Treatment in the hands of Investor #
Interest income	Taxable
Dividends	Exempted (If the SPV has not opted for the lower tax regime)
	Taxable (If the SPV has opted for the lower tax regime)
Revenue from underlying infrastructure assets	Taxable

Investors need to check which type of income they receive and applicable tax treatment.

Regulations to protect the interests of InvITs unitholders



Securities Exchange Board of India (SEBI)

- ▶ SEBI (InvITs) Regulations, 2014
- ▶ SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
- ▶ SEBI (Prohibition of Insider Trading) Regulations, 2015

Reserve Bank of India

- ▶ Foreign Exchange Management (Non-debt Instruments Rules), 2019

Others

- ▶ Indian Trusts Act, 1882
- ▶ Companies Act, 2013
- ▶ Competition Act, 2002

Points to Ponder while investing in InvITs



- Stability of income of Trust depends on the stability of income earned from the assets of Trust,
- Invest in InvITs which offer better transparency,
- Investment in InvITs is to generate income and also to earn capital gains
- Due diligence to be made before taking investment decisions

5. Additional Information



- ❑ For Further Information, you may visit following websites:
 - www.sebi.gov.in/
 - <https://investor.sebi.gov.in/>
- ❑ For Grievance Redressal, you may visit following website:
 - www.scores.gov.in/

Or, you may call SEBI at following Toll-free Helpline Numbers from 9:00am to 6:00pm on all days (excluding declared holidays in the state of Maharashtra):

- **1800 266 7575**
- **1800 22 7575**

Helpline is Available in 8 Languages:
**English, Hindi, Bengali, Gujarati,
Marathi, Kannada, Telugu and Tamil**

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