

# Infrastructure investment trust fund

## About Trust

- Infrastructure Investment Trusts (InvITs) are mutual fund like institutions that enable investments into the infrastructure sector by pooling small sums of money from multitude of individual investors
- SEBI notified Regulations, on InvITs in 2014, which provided for registration and regulation of InvITs in India.
- InvITs raise funds from a large number of investors and directly invest in infrastructure projects or through a special purpose vehicle.
- It will open for subscription on May 3 and close on May 5
- It is Sponsored by road developer IRB Infrastructure Developers Ltd.
- The trust aims to raise up to ₹4,035 crore.

## Benefits to Developer

- InvITs allow developers of infrastructure assets to monetise their assets by pooling multiple projects under a single entity
- Infrastructure projects suffer from lack of availability of long-term capital and have depended on bank finance which typically has a short tenure.
- InvITs are designed to attract low-cost, long term capital.
- Underlying focus is to reduce the funding pressure on the banking system as well as generating fresh equity capital for infrastructure projects.

## SEBI Rules

- Two types of InvITs have been allowed: one, which invests in completed infrastructure projects; the other, which has the flexibility to invest in completed or under-construction projects.
- InvITs which invest in completed projects take the route of public offer of its units.
- Those investing in under construction projects take the route of private placement of units.
- InvITs are registered as trusts with SEBI and there are four parties — trustee, sponsors, investment manager and project manager.
- At least 90% of funds collected, after paying for expenses, taxes and repayment of external debt, should be passed on to investors every six months.
- Dividend income received by unit holders is tax exempt. Short-term capital gain on sale of units is taxed at 15%, while long-term capital gains are tax exempt.
- The minimum application size for InvIT units is ₹10 lakh.

## Parties

- there are four parties — trustee, sponsors, investment manager and project manager.
- Sponsors are the firms which set up the InvITs. Investment managers manage assets and investments of InvITs and undertake activities of the InvIT.
- The project manager is responsible for executing the projects.
- The trustee oversees the role of InvIT, investment managers and project manager and ensures that all rules are complied with.