

An Insight into InvITs

InvITs (Infrastructure Investment Trusts) have emerged as one of India's most significant investment vehicles for large-scale infrastructure monetisation. In the recent webinar, industry experts explained the structure, regulatory framework, taxation aspects and practical challenges surrounding InvITs, along with India's growing adoption of the trust-based model for infrastructure funding. The session highlighted the increasing participation of institutional investors, government-driven monetisation programmes, and how InvITs are reshaping long-term capital in roads, power, telecom and energy sectors.

1. What Are InvITs?

- InvITs are **trust-based investment structures** created to own, operate and manage infrastructure assets such as roads, transmission lines, pipelines, telecom towers and renewable energy projects.
- They are governed by the **SEBI (Infrastructure Investment Trusts) Regulations, 2014**.
- InvITs help infrastructure developers **unlock capital**, while investors receive **stable, long-term, annuity-like returns**.
- India moved to the Singapore REIT/InvIT model, shifting from the earlier US-style corporate REIT framework due to local suitability.

2. Why InvITs Have Gained Momentum in India

The webinar highlighted several reasons behind the rapid rise of InvITs:

- **Nationwide infrastructure push** – highways, railways, renewable energy, warehousing.
- **National Monetisation Pipeline (NMP)** encouraging asset divestment through InvITs.
- **Stable and predictable cash flows** for investors (PPP, TOT, regulated return models).
- **Access to long-term institutional capital** including pension funds, global infrastructure funds and sovereign wealth funds.
- **Tax-efficient distributions** compared to corporate structures.

India now has both **listed and unlisted InvITs**, depending on investor profiles and capital requirements.

3. Structure of InvITs – Key Components

InvITs operate through a multi-layer, SEBI-regulated structure:

A. Sponsor

- Typically an infrastructure developer (e.g., road or power company).
- Transfers assets to the InvIT and holds a minimum unitholding for a defined period.

B. Trustee

- Independently oversees compliance, governance and protection of unitholder interests.

C. Investment Manager

- Makes key decisions regarding investments, acquisitions and operations.
- Equivalent to an AMC in mutual funds.

D. Project SPVs

- Most InvITs hold assets through **SPV companies** for regulatory and operational efficiencies.

This structure ensures **ring-fencing of cash flows**, transparent governance, and predictable distributions.

4. Types of InvITs

Listed InvITs

- Units traded on stock exchanges.
- Open to retail, HNI and institutional investors.
- Require at least **80% of assets in completed, revenue-generating projects**.

Private / Unlisted InvITs

- Designed for institutional / strategic investors.
- Greater flexibility in asset type and leverage.
- Used extensively for **government TOT roads, transmission assets, and renewable portfolios**.

5. Distribution Policy and Cash Flow Model

SEBI mandates InvITs to distribute **at least 90% of net distributable cash flows** to unitholders.

These may include:

- Interest income
- Dividend income

- Loan repayments
- Capital gains on asset disposal

This makes InvITs resemble **yield products** with predictable income streams.

6. Regulatory Framework – SEBI InvIT Regulations

Key compliance requirements discussed:

- Mandatory filings with SEBI and stock exchanges.
- Valuation norms and periodic valuation by independent valuers.
- Caps on leverage (maximum 70% subject to rating & unitholder approval).
- Restrictions on related-party transactions.
- Enhanced disclosures in offer documents and quarterly reports.
- Stringent corporate governance and audit requirements.

SEBI has regularly introduced amendments to increase transparency and widen investor participation.

7. Challenges & Practical Issues in InvIT Operations

Speakers highlighted several real-world hurdles:

- Obtaining clear and predictable **cash flow visibility** from underlying assets.
- Ensuring compliance with multiple regulators (SEBI, NHAI, PGCIL, state authorities).
- Difficulties in asset valuation due to regulatory changes (e.g., toll rate changes).
- Delays in government approvals, concession amendments, and land-related issues.
- Complexities in managing consortium lenders and refinancing.
- Navigating GST implications, acquisition structures and inter-SPV transactions.

8. Emerging Trends and the Road Ahead

The webinar concluded with India's evolving InvIT landscape:

- Growth in **renewable energy InvITs** with solar and wind portfolios.
- Telecom and fibre InvITs expanding due to digital infrastructure push.
- Increasing **private InvITs** backed by global funds for specialised assets.

- Government monetisation through InvITs expected to accelerate.
- Standardisation of concession agreements to improve investor confidence.
- Gradual participation expected from retail investors as markets mature.

InvITs will continue to be a **critical engine for funding India's infrastructure ambitions.**

Conclusion

InvITs represent a transformative shift in India's infrastructure financing ecosystem. They offer developers a robust mechanism to recycle capital, while providing investors with transparent, stable, long-term returns. The webinar stressed that with India's infrastructure targets expanding rapidly—roads, power, rail, digital networks and renewable energy—InvITs are uniquely positioned to channel global capital into national development. Transparent governance, regulatory compliance and thoughtful structuring will determine the long-term success of this promising asset class.

To stay informed or access the webinar recording, visit the YouTube channel:

 **"Decoding Corporate Laws with Mehta & Mehta"**