

FAQs
ON

SEBI

(Infrastructure Investment Trusts)
Regulations, 2014



**THE INSTITUTE OF
Company Secretaries of India**

भारतीय कम्पनी सचिव संस्थान

IN PURSUIT OF PROFESSIONAL EXCELLENCE

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March, 2022

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This Publication is an academic interpretation of the provisions of the SEBI (INFRASTRUCTURE INVESTMENT TRUSTS) Regulations, 2014. Due care has been taken in the preparation of this publication to reflect true intention of the law. However, Members are requested to also refer the latest updates of the applicable provisions while taking action on the basis of this publication, The Institute shall not be responsible for any loss or damage resulting from any action taken on the basis of this Publication.

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Foreword

Infrastructure Investment Trusts (InvITs) were established with an objective to encourage and provide additional finance for investment in the infrastructure sector in India. InvITs help the project owners to acquire an amount for the infrastructure assets. It is one of the suitable finance models where infrastructure companies can arrange appropriate funds at the right time.

It is an efficient platform to support diversification of ownership of infrastructure assets such as power transmission, roads, ports, renewable projects, etc. Apart from equity, InvITs are also aimed at playing a pivotal role in providing wider long-term refinance avenues, thereby creating headroom for banks to fund new projects and in releasing developer's capital for further deployment in new projects. It act as a platform for investors where they can invest in revenue-generating infrastructure assets directly or through special purpose vehicle (SPV), earn a stable return with the opportunities of diversification in a single unit and could be considered as a contribution to the development of the country.

To bridge the gap and support the segment, Government of India through SEBI brought in Infrastructure Investment Trusts Regulations, 2014. To ensure its understanding, these FAQ's give an overview of the possibilities and challenges pertaining to InvIT.

This e-publication "*FAQ's on SEBI (Infrastructure Investment Trusts) Regulations, 2014*" provides questions and their answers to cover concept on the subject which will enable the professionals to guide their clients. It also helps the industry to understand and take informed decision by understanding the nuances of setting up, management and compliance system of InvITs.

I commend the dedicated efforts of WIRC-ICSI under the leadership of CS Pawan G Chandak, Chairman (2021) WIRC-ICSI; CS Rajesh Tarpara, Chairman (2022) WIRC-ICSI and CS Abhishek Omprakash Lakhota, Mumbai for their valuable time, efforts and dedication in writing the manuscript of this e-publication and helping the members and Institute in bringing out the publication in capital market segment.

InvITs being in the evolving stage, there would be scope for further developments. I would personally be grateful to the readers for offering their suggestions for further improvement to this publication.

Place: NEW DELHI
Date: 23-03-2022

CS Devendra V. Deshpande
President
The Institute of Company Secretaries of India

Preface

InvIT is an investment instrument that works like mutual funds and are regulated by the Securities and Exchange Board of India. Units of InvIT are listed on stock exchanges and are a wholesome combination of both equity and debt instruments. It enables direct investment from retail investors along with institutional investors in infrastructure projects.

The segment is encouraging and willing to cater the need of any country's demand in infrastructure sector considering the projects are in pipeline.

This e-Publication "FAQ's on SEBI (Infrastructure Investment Trusts) Regulations, 2014" provides questions and their answer to cover basic concept on the subject which will enable the professionals to guide their clients. It also helps the industry people to understand and take informed decision and understanding the nuances of setting up, management and compliance system of InvITs.

I appreciate the efforts of CS Abhishek Omprakash Lakhotia, Mumbai for his valuable time in writing the manuscript of this e-publication. I also appreciate the efforts of CS Pawan G. Chandak, Past Chairman WIRC of ICSI for taking lead in this initiative.

Thanks & Regards.

Place - Mumbai

Date - 23-03-2022

CS Rajesh Tarpara
Chairman
WIRC OF THE ICSI

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1. WHAT IS InvIT?

Infrastructure and real estate are the two most critical sectors in any developing economy. A well-developed infrastructural set-up propels the overall development of a country. It also facilitates a steady inflow of private and foreign investments, and thereby augments the capital base available for the growth of key sectors in an economy, as well as its own growth, in a sustained manner.

InvIT is an investment instrument that works like mutual funds and are regulated by the Securities and Exchange Board of India ('The Board'). Units of InvIT are listed on different trading platforms like stock exchanges and are a wholesome combination of both equity and debt instruments. It enables direct investment of money from retail investor and institutional investors in infrastructure projects to earn return on investments. InvIT enable developer to monetize their assets by pooling multiple assets under a single entity (trust structure) for infrastructure development.



Details of InvIT in India (as on 31st December 2021)

Particulars	2021-22	2020-21	2019-20
Number of Registered InvITs	6	2	4
Number of Listed InvITs	5	1	3
Number of Unlisted InvITs	1	1	1
Funds raised during the Year* (Amount in INR Cr.)	20294.90	40431.55	11496.09

*includes funds raised through initial public offer, preferential issue, private placement, institutional placement, rights issue.

#SEBI website: <https://www.sebi.gov.in/statistics/reits-invits/funds-raised-reits-invits.html>

2. WHAT ARE THE OBJECTIVE AND PURPOSE OF InvIT?

The primary objective of InvIT is to promote the infrastructure sector by encouraging retail investors to invest. InvIT is a tool designed in a way to pool money from several investors and to be invested in income-generating assets. Investors can directly hold the share in the projects by investing in the units. The



cash flow thus generated is distributed among investors as dividend income. When compared to Real Estate Investment Trusts (REITs), the structure and operation of both are similar. Since infrastructure-oriented projects tend to take time to generate substantial cash flow, InvIT come in handy for paying off loan interests and other expenses conveniently. InvIT also enable Companies to repay their debt obligation quickly and effectively.

3. WHAT ARE THE WAYS TO PARK FUNDS UNDER InvIT?

Through InvIT, individuals can park their funds into infrastructure projects in two ways, i.e. either directly or through particular purpose vehicles, by classifying them in following two different types:

• **Revenue-generating Finished projects**

Which tends to invite investors through a public offering

• **Projects under construction**

This type opts for a Private Placement of its units

4. WHAT DOES COMPLETED AND REVENUE GENERATING PROJECT MEANS?

As per Regulation 2(i), completed and revenue generating project means an infrastructure project, which prior to the date of its acquisition by, or transfer to, the InvIT, satisfies the following conditions:

- Project has reached to the commercial operations date as mentioned under the relevant project agreement including concession agreement, power purchase agreement or any other agreement of a similar nature entered into in relation to the operation of the project or in any agreement entered into with the lenders;



- Project has received all the requisite approvals and certifications for commencement of operations;

- Project has been generating revenue from operations for a period of not less than 1 year.

5. WHO ARE THE PARTIES INVOLVED UNDER INVIT?

Trustee: A person who holds the InvIT assets in trust for the benefit of the unit holders.

Sponsor: A body corporate, LLP, promoter or a Company with a net worth of atleast Rs. 100 cr. classifies as a Sponsor. When it comes to a public-private partnership projects, sponsors serve as a Special Purpose Vehicle (SPV).

Investment manager: As a body corporate of LLP, an investment manager supervises all the operational activities surrounding InvIT.

Project manager: The authority is mostly responsible for executing projects. However, in the case of PPP projects, it serves as an entity that also supervises ancillary responsibilities.

Compliance Officer: Is responsible for the Compliance related to InvIT.

Lead Member: Is a Lead member of the Concessionaire SPV for PPP projects as defined in the project documents.

Custodian: A person registered with the Board (SEBI).

Merchant Banker: A person who looks after the process of issue.

Auditor: A person ensure conduct audit of accounts of InvIT.

6. WHAT ARE THE REQUIREMENTS FOR REGISTRATION OF InvIT?

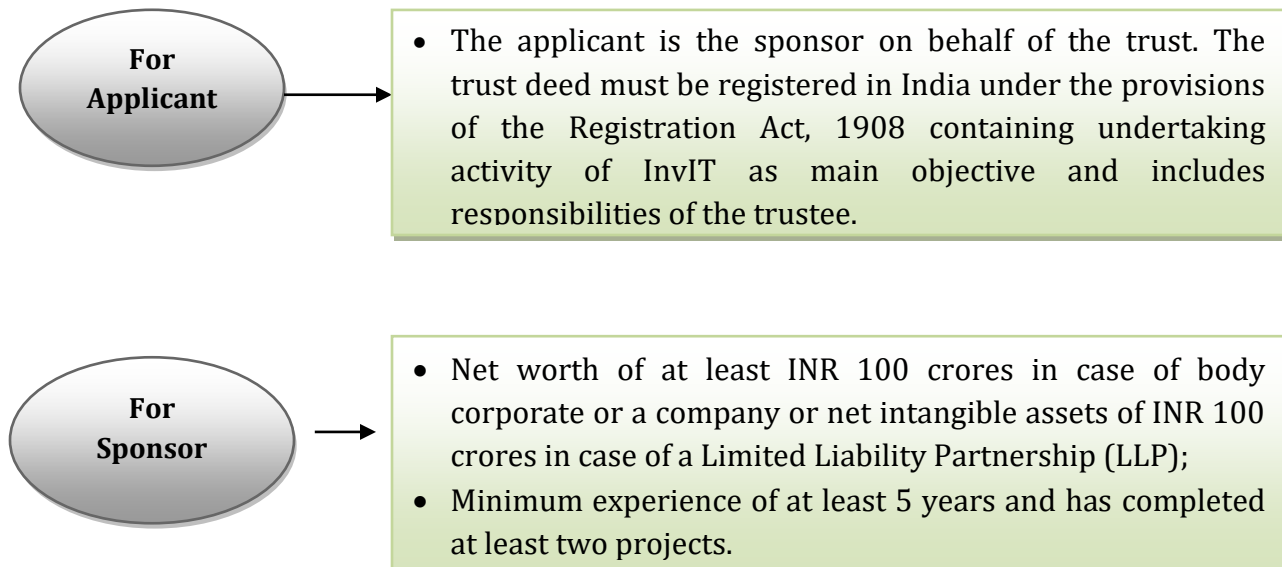


As per Regulation 3, a person shall act as an InvIT if it has obtained a certificate of registration from the SEBI (Board) under this Regulation. An application for grant of certificate of registration as InvIT shall be made by the sponsor on behalf of the trust in Form A as specified in the Schedule I and shall be

accompanied by a non-refundable application fee of Rs. 1,00,000/-. They will take into account requirements as specified in these Regulations for the purpose of considering grant of registration. Every applicant shall pay as non-refundable registration fees a sum of Rs. 10,00,000/- within fifteen days from the date of receipt of intimation from the Board. The Board may, in order to protect the interests of investors, appoint any person to take charge of records, documents of the trust.

7. WHAT ARE THE ELIGIBILITY CRITERIA FOR GRANT OF CERTIFICATE OF REGISTRATION?

As per Regulation 4, the eligibility criteria for grant of certificate are as under:



**For
Investment
Manager**



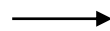
- Net worth of at least INR 10 crores in case of body corporate or a company or net intangible assets of INR 10 crores in case of an LLP.
- Minimum experience of 5 years in fund management/ advisory services/ development in infrastructure sector;
- 2 or more key personnel, having more than 5 years' experience in fund management/ advisory services/ development in infrastructure sector;
- 1 or more employee who has at least 5 years' experience in relevant sub-sector in which InvIT proposes to invest;
- Not less than half of its directors / members should be independent, and they should not be directors / members of another InvIT; An office in India from where operations pertaining to InvIT is proposed to be conducted

**For
Project
Manager**



- The project manager has been identified and shall be appointed in terms of the project implementation/ management agreement; however, the project implementation agreement/ management agreement shall be submitted along with the draft offer document/ or the placement memorandum.

**For
Trustee**



- Registered with SEBI and is not an associate of sponsor/investment manager; and Sufficient resources with respect to infrastructure, personnel etc. as specified by SEBI.

8. WHAT IS THE PROCEDURE FOR GRANT OF CERTIFICATE OF REGISTRATION?

Regulation 6 states following procedure for grant of certificate:

- The Board on being satisfied that the applicant fulfills, the requirements specified in Regulation 4 of SEBI (InvIT) Regulation 2014 shall send intimation to the applicant.
- On receipt of the payment of registration fees Rs. 10,00,000/-, grant certificate of registration in Form B under Schedule I. Provided that the Board may grant in-principle approval to the trust, where it deems fit and on satisfaction of all requirements, grant final registration to the trust.
The registration may be granted with such conditions as may be deemed appropriate by the Board.

9. WHAT ARE THE CONDITIONS FOR GRANT OF CERTIFICATE OF REGISTRATION?

The certificate granted shall be subject to the following conditions as per Regulation 7-

- The InvIT shall abide these Regulations;
- The InvIT shall forthwith inform the Board in writing, if any information or particulars previously submitted to the Board are found to be false or misleading in any material particular or if there is any material change in the information already submitted;
- They shall satisfy with the conditions specified and shall comply with code of conduct.

10. WITHIN WHAT TIME FRAME REGISTRATION CAN BE REJECTED?

Regulation 8 states that after considering an application made under regulation 3, if the Board is of the opinion that a certificate should not be granted to the trust, it may reject the application after giving the applicant a reasonable opportunity of being heard.

Further in case of rejection of application, the decision of Board to reject the application shall be communicated to the applicant within 30 days.

11. WHO ARE SPONSORS & THEIR ELIGIBILITY CRITERIA?

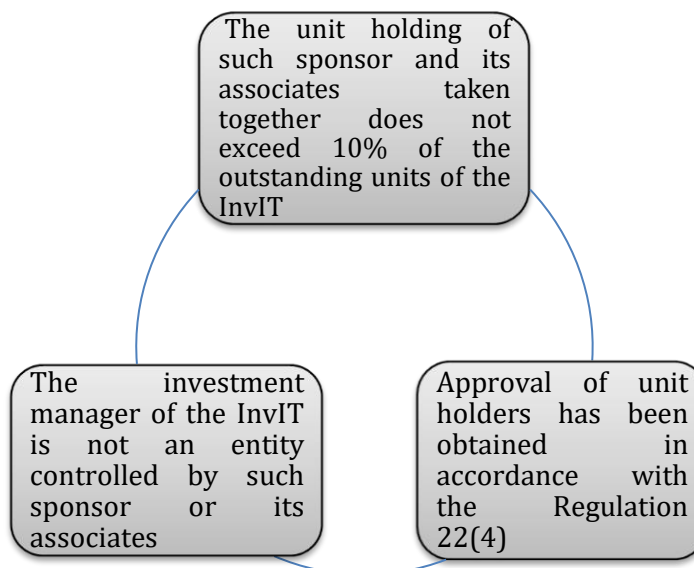
As defined under Regulation 2(1)(zz), sponsor means any company or LLP or body corporate which sets up the InvIT and is designated as such at the time of application made to the Board and shall include an inducted sponsor.

Regulation 4(2)(d) of SEBI (InvIT) Regulation provides for the eligibility criteria of sponsors:

- Net worth of at least INR 100 crores in case of body corporate or a company or net intangible assets of INR 100 crores in case of a Limited Liability Partnership (LLP);
- Minimum experience of at least 5 years and has completed at least two projects.

12. WHAT ARE THE CONDITIONS FOR DE-CLASSIFICATION OF THE STATUS OF SPONSOR?

As per Regulation 7A, De-classification of the status of a sponsor(s) of an InvIT whose units have been listed on the stock exchanges for a period of 3 years shall be permitted upon receipt of an application from the InvIT and subject to conditions as mentioned:



13. WHAT ARE THE RIGHTS AND RESPONSIBILITIES OF SPONSOR(S)?

As per Regulation 12 the rights and responsibilities of sponsor(s) are as follows:

- Shall set up the InvIT and appoint the trustees of the InvIT;
- Shall transfer or undertake to transfer to the InvIT, its entire shareholding or interest and rights in the holdco and/or SPV or ownership of the infrastructure projects, subject to a binding agreement and adequate disclosures in the offer document or placement memorandum, prior to allotment of units of the InvIT;

- With respect to holding of units in the InvIT, the sponsor(s) together shall hold not less than 15% of the total units of the InvIT after initial offer of units, on a post-issue basis for a period of not less than 3 years from the date of the listing of such units, subject to the following:
 - Sponsor(s) would be responsible for all acts, omissions and representations/covenants of the InvIT related to formation, sale/ transfer of assets of holdco/SPV to the InvIT.
 - The InvIT/the trustee of the InvIT shall also have recourse against the Sponsor for any breach in this regard.
 - Project Manager of the InvIT shall be the sponsor or an associate of the sponsor and shall continue to act in such capacity for a period of minimum 3 years from the date of listing of InvIT units unless suitable replacement is appointed by the unit-holders through the Trustee provided such condition as specified shall not be applicable where the sponsor(s) together hold not less 25% of the total units of the InvIT after initial offer of units, on a post-issue basis for a period of not less than 3 years from the date of the listing of such units.

14. WHAT ARE THE RIGHTS AND RESPONSIBILITIES OF TRUSTEE?

The responsibilities of Trustee as specified under Regulation 9 are as follows:

- To hold the InvIT assets in the name of the InvIT for the benefit of the unit holders in accordance with the trust deed and these regulations.
- To enter into an investment management agreement with the investment manager on behalf of the InvIT.
- To oversee activities of the investment manager in the interest of the unit holders, ensure that the investment manager complies with regulation 10 and shall obtain compliance certificate from the investment manager, in the form as may be specified, on a quarterly basis.
- To oversee activities of the project manager with respect to compliance with these regulations and the project implementation agreement/project management agreement and shall obtain compliance certificate from the Project manager, in the form as may be specified, on a quarterly basis.



- To ensure that the investment manager complies with reporting and disclosures requirements in accordance with these regulations and in case of any delay or discrepancy, require the investment manager to rectify the same on an urgent basis.
- To review the transactions carried out between the investment manager and its associates and where the investment manager has advised that there may be a conflict of interest, shall obtain confirmation from a practicing-chartered accountant that such transaction is on arm's length basis.
- To periodically review the status of unit holders' complaints and their redressal undertaken by the investment manager.
- To make distributions and ensure that investment manager makes timely declaration of distributions to the unit holders in accordance with sub-regulations (6), (7) and (8) of regulation 18.
- The trustee may require the investment manager to set up such systems and procedures and submit such reports to the trustees, as may be necessary for effective monitoring of the functioning of the InvIT.
- To ensure that subscription amount is kept in a separate bank account in name of the InvIT and is only utilized for adjustment against allotment of units or refund of money to the applicants till the time such units are listed.
- To ensure that the remuneration of the valuer is not linked to or based on the value of the assets being valued.
- To ensure that the investment manager convene meetings of the unit holders in accordance with these regulations and oversee the voting by unit holders.
- To ensure that the investment manager convene meetings of unit holders not less than once every year and the period between such meetings shall not exceed 15 months.
- The trustee may take up with the Board or with the designated stock exchange, as may be applicable, any matter which has been approved in any meeting of unit holders, if the matter requires such action.

- In case of any change in investment manager due to removal or otherwise, -
 - prior to such change, the trustee shall obtain approval from unit holders in accordance with regulation 22 and from the Board;
 - the trustee shall appoint the new investment manager within three months from the date of termination of the earlier investment management agreement;
 - the previous investment manager shall continue to act as such at the discretion of trustee till such time as new investment manager is appointed;
 - the trustee shall ensure that the new investment manager shall stand substituted as a party in all the documents to which the earlier investment manager was a party;
 - the trustee shall ensure that the earlier investment manager continues to be liable for all its acts of omissions and commissions notwithstanding such termination.

- In case of any change in the project manager due to removal or otherwise, -
 - the trustee shall appoint the new project manager within three months from the date of termination of the earlier project implementation agreement/project management agreement;
 - the trustee may, either *suo motu* or based on the advice of the concessioning authority appoint an administrator in connection with an infrastructure project(s) for such term and on such conditions as it deems fit;
 - the previous project manager shall continue to act as such at the discretion of trustee till such time as new project manager is appointed;
 - all costs and expenses in this regard will be borne by the new project manager;
 - the trustee shall ensure that the new project manager shall stand substituted as a party in all the documents to which the earlier project manager was a party;
 - the trustee shall ensure that the earlier project manager continues to be liable for all its acts of omissions and commissions for the period during which it served as the project manager, notwithstanding such termination.

- To obtain prior approval from the unit holders in accordance with regulation 22 and from the Board in case of change in control of the investment manager.

- In case of change in control of the project manager in a PPP project, the trustee shall ensure that written consent of the concessioning authority is obtained in terms of the concession agreement prior to such change, where applicable.

- The trustee of the InvIT shall not invest in units of the InvIT in which it is designated as the trustee.
- To ensure that the activity of the InvIT is being operated in accordance with the provisions of the trust deed, these regulations and the offer document or placement memorandum and if any discrepancy is noticed, shall inform the same to the Board immediately in writing.
- To provide to the Board and to the designated stock exchanges, where applicable, such information as may be sought by the Board or by the designated stock exchanges pertaining to the activity of the InvIT.
- To immediately inform the Board in case any act which is detrimental to the interest of the unit holders is noted.

15. WHAT ARE THE RIGHTS AND RESPONSIBILITIES OF INVESTMENT MANAGER?

Regulation 10 prescribes certain rights and responsibilities to be complied by Investment Manager. It includes the following:

- To make the investment decisions with respect to the underlying assets or projects of the InvIT including any further investment or divestment of the assets.
- To oversee activities of the project manager with respect to compliance with these regulations and the project implementation agreement/project management agreement and shall obtain compliance certificate from the project manager, in the form as may be specified, on a quarterly basis.
- To ensure that the infrastructure assets of the InvIT or SPV have proper legal titles, if applicable, and that all the material contracts entered into on behalf of InvIT or SPV are legal, valid, binding and enforceable by and on behalf of the InvIT or SPV.



- To ensure that the investments made by the InvIT are in accordance with the investment conditions specified in regulations and in accordance with the investment strategy of the InvIT.
- To appoint the valuer(s), auditor, registrar and transfer agent, merchant banker, custodian and any other intermediary or service provider or agent as may be applicable in consultation with Trustee with respect to activities pertaining to the InvIT in a timely manner and in accordance with these regulations.
- To appoint an auditor for a period of not more than five consecutive years: Provided that the auditor, not being an individual, may be reappointed for a period of another five consecutive years, subject to approval of unitholders in the annual meeting
- To arrange for adequate insurance coverage for the InvIT assets: Provided that this shall not apply in case the InvIT assets are required to be insured by any other person under any agreement including a concession agreement or under any Act or regulations or circulars or guidelines of any concessioning authority or government or local body. Provided further that in case any of the InvIT assets are held by holdco or SPV, the investment manager shall ensure that assets held by the holdco or SPV are adequately insured.
- To ensure that it has adequate infrastructure and sufficient key personnel with adequate experience and qualification to undertake management of the InvIT at all times.
- The investment manager and the merchant banker(s) shall be responsible for all activities pertaining to issue of units and listing of units of the InvIT including,
 - filing of placement memorandum with the Board;
 - filing of offer document with the Board and exchanges within the prescribed time period;
 - dealing with all matters pertaining to allotment of units to unit holders;
 - obtaining in-principle approval and final listing and trading approvals from the designated stock exchanges;
 - dealing with all matters relating to issue and listing of units as specified and any guidelines as may be issued by the Board in this regard.

- The investment manager and the merchant bankers(s) shall ensure that disclosures made in the offer document or placement memorandum contains material, true, correct and adequate disclosures and are in accordance with these regulations and guidelines or circulars issued hereunder.
- To declare distributions to the unit holders in accordance with Regulation.
- To review the transactions carried out between the project manager and its associates and where the project manager has advised that there may be a conflict of interest, shall obtain confirmation from the practicing-chartered accountant or the valuer, as applicable, that such transaction is on arm's length basis.
- To ensure adequate and timely redressal of all unit holders grievances pertaining to activities of the InvIT.
- To ensure that the disclosures or reporting to the unit holders, Board, trustees and designated stock exchanges, are in accordance with these regulations and guidelines or circulars issued hereunder.
- To provide Board (SEBI) and to the designated stock exchanges, where applicable, any such information as may be sought by the Board or the designated stock exchanges pertaining to the activities of the InvIT.
- The investment manager or its associates shall not obtain any commission or rebate or any other remuneration, by whatever name called, arising out of transactions pertaining to the InvIT other than as specified in the offer document or placement memorandum or any other document as may be specified by the Board for the purpose of issue of units.
- To ensure that the valuation of the InvIT assets is done by the valuer(s) in accordance with Regulation.
- The investment manager shall submit to the trustee, -
 - quarterly reports on the activities of the InvIT including receipts for all funds received by it and for all payments made, position on compliance with these regulations, performance report, status of development of under-construction projects, within 30 days of end of such quarter;

- valuation reports as required under these regulations within fifteen days of the receipt of the valuation report from the valuer;
 - decision to acquire or sell or develop or bid for any asset or project or expand existing completed assets or projects along with rationale for the same;
 - details of any action which requires approval from the unit holders as maybe required under the regulations;
 - details of any other material fact including change in its directors, change in its shareholding, any legal proceedings that may have a significant bearing on the activity of the InvIT, within seven working days of such action.
- In case the investment manager fails to submit to the trustee information or reports as specified above in timely manner, the trustee shall intimate the same to the Board and the Board may take action, as it deems fit.
 - To coordinate with trustee, as may be necessary, with respect to operations of the InvIT.
 - To ensure that computation and declaration of NAV of the InvIT based on the valuation done by the valuer shall be disclosed to the stock exchange(s), not later than 15 days from the date of valuation.
 - To ensure that the audit of accounts of the InvIT by the auditor is done not less once in a year and such report is submitted to the stock exchange within 60 days of end of financial year ending March 31st
 - To appoint a custodian in order to provide such custodial services as may be authorised by the trustees.
 - To place before its board of directors in case of company or the governing board in case of an LLP a report on activity and performance of the InvIT at least once every quarter within thirty days of end of every quarter.
 - To designate an employee or director as the compliance officer for monitoring of compliance with these regulations and guidelines or circulars issued hereunder and intimating the Board in case of any non-compliance.
 - To convene meetings of the unit holders in accordance with regulation 22 and maintain records pertaining to the meetings in accordance with regulation 26.

- To ensure that all activities of the intermediaries or agents or service providers appointed by the investment manager are in accordance with these regulations and guidelines or circulars issued hereunder.

16. WHAT ARE THE RESPONSIBILITIES OF PROJECT MANAGER?



The Project Manager has to comply with certain responsibilities as stated under Regulation 11 which *inter alia* includes the following:

- He shall undertake operations and management of the InvIT assets including making arrangements for the appropriate maintenance, as may be applicable, either directly or through the appointment and supervision of appropriate agents and as required under any project agreement including a concession agreement in the case of a PPP project.
- If the InvIT invests in under construction projects, the project manager shall-
 - undertake the operations and management of the projects, either directly or through appropriate agents;
 - Oversee the progress of development, approval status and other aspects of the project upto its completion, in case of appointment of agents for the purpose of execution.
- He shall discharge all obligations in respect of achieving timely completion of the project implementation agreement / infrastructure project, wherever applicable, implementation, operation, maintenance and management of such infrastructure project in terms of the project management agreement.

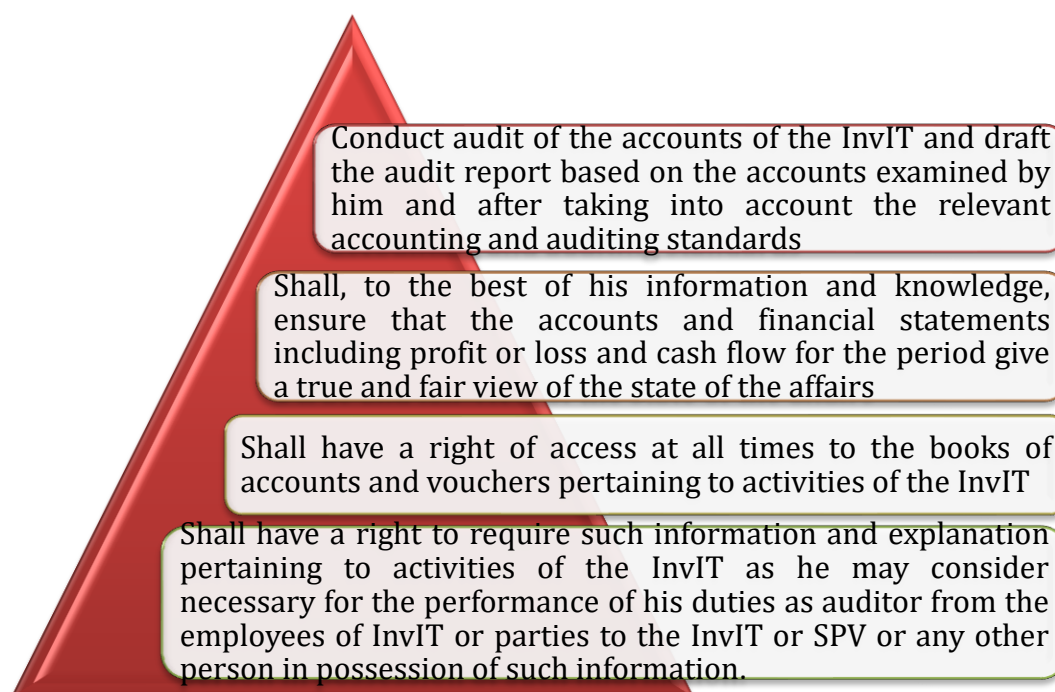
17. WHAT ARE THE RIGHTS AND RESPONSIBILITIES OF VALUER AND AUDITORS?

As per Regulation 13(1), the responsibilities of Valuer are as under:

- Ensure that the valuation of the InvIT assets is impartial, true and fair;
- Ensure adequate and robust internal controls to ensure the integrity of its valuation reports;
- Ensure that it has sufficient key personnel with adequate experience and qualification to perform valuations;
- Shall ensure that it has sufficient financial resources to enable it to conduct its business effectively and meet its liabilities;
- Conduct valuation of the InvIT assets with transparency and fairness and shall render, at all times, high standards of service, exercise due diligence, ensure proper care and exercise independent professional judgment;
- Act with independence, objectivity and impartiality;
- Performing a valuation of the InvIT assets from any person other than the InvIT or its authorized representative shall not accept remuneration, in any form;
- Shall before accepting any assignment, disclose to the InvIT any direct or indirect consideration which the valuer may have in respect of such assignment;
- Shall disclose to the InvIT any pending business transactions, contracts under negotiation and other arrangements with the investment manager or any other party whom the InvIT is contracting with and any other factors that may interfere with the valuer's ability to give an independent and professional valuation of the assets;
- Shall not make false, misleading or exaggerated claims in order to secure assignments;
- Do not provide misleading valuation, either by providing incorrect information or by withholding relevant information;

- Shall prior to performing a valuation, acquaint itself with all laws or Regulations;
- The valuer and any of its employees involved in valuing of the assets of the InvIT, shall not,-
 - Invest in units of the InvIT or in the assets being valued; and
 - Sell the assets or units of InvIT held prior to being appointed as the valuer, till the time such person is designated as valuer of such InvIT and not less than 6 months after ceasing to be valuer of the InvIT.

As per Regulation 13(2), the responsibilities of Auditor are as under



18. WHAT ARE THE CONDITIONS FOR ISSUANCE OF INITIAL OFFER?

As per Regulation 14(1), InvIT needs to fulfill certain conditions for issuance of initial offer. They are as follows:

- InvIT should be registered with SEBI.
- The value of InvIT assets is not less than Rs. 500 crores.
- The offer size is not less than Rs. 250 crores.

However, a declaration to SEBI and to the designated stock exchanges to that effect, where applicable and adequate disclosures in this regard in the offer document or placement memorandum.

19. WHAT ARE THE REQUIREMENTS OF PUBLIC SHAREHOLDING UNDER InvIT?

Regulation 14(1A) states the minimum public shareholding to be maintained by InvIT.

It states as follows:

Sr. No.	Post issue capital of the InvIT calculated at offer price	MINIMUM UNITS TO BE OFFERED TO PUBLIC UNDER ANY OFFER
i	Is less than Rs. 1600 crores	At least 25% of the total of the outstanding units of the InvIT
ii	Equal to or more than Rs. 1600 and less than Rs. 4000 crores	At least Rs. 400 crores
iii	Equal to or exceeds 4000 crores	At least 10% of the total of the outstanding units

However, any units offered to sponsor or the investment manager or the project manager or their related parties or their associates shall not be counted towards units offered to the public. Further that any listed InvIT which has public holding **below 25%** on account of clauses (ii) and (iii) above, **such InvIT shall increase its public holding to at least 25%**, within a **period of 3 years** from the date of listing pursuant to initial offer.

20. WHAT ARE THE METHODS OF RAISING OF FUNDS?

(i) Funds raised by way of private placement (Regulation - 14 (2))



- Placement memorandum;
- From institutional investors and body corporate only, whether Indian or foreign;
- Minimum investment from any investor of Rs. 1 Crores;
- If invested less than 80% of the value of the InvIT assets then the minimum investment shall be Rs.25 Crores;
- Atleast 5 and not more than 1000 investors; shall file a placement memorandum with SEBI, atleast 5 days prior to opening of the issue, provided opening of the issue shall not be at a date later than 3 months from the receipt of in-principle approval for listing, from exchange(s)
- File the final placement memorandum with the Board within a period of 10 working days from the date of listing of the units issued therein.
- maximum subscription from any investor other than sponsor(s), its related parties and its associates, in initial offer shall not be more than 25 % of the total unit capital;”

(ii) Funds raised by way of public issue (Regulation - 14 (4))



- By way of Initial public offer. Then it can follow with any subsequent issue like rights issue, bonus issue etc.
 - Minimum subscription amount should be Rs. 10,000 to 15,000
 - maximum subscription from any investor other than sponsor(s), its related parties and its associates, in initial offer shall not be more than 25 percent of the total unit capital
 - Prior to Initial public offer Merchant banker should draft offer document to Stock exchange and SEBI not less than thirty working days before filing the offer document with the designated stock exchange and SEBI.
 - The draft offer document shall be made public for their comments.
 - The lead merchant banker will ensure all comments are addressed prior to filing offer document.
 - No observation issued within 21 days by the board then file offer document with SEBI and stock exchange not less than 5 working days before the opening of offer with due diligence certificate.
 - The application for subscription shall be accompanied with abridged offer document containing risk factors & terms of issue.
 - The offer shall not be open for subscription for a period of more than 30 days.
 - In case of over-subscriptions, the InvIT shall allot units to the applicants on a proportionate basis rounded off subject to minimum subscription amount.
 - The allotment or refund application money as the case may be shall be made within 12 working days from the date of closing of the issue.
 - The units shall be issued only in dematerialized form to all the applicants.
 - The Application money shall be refunded if:
 - InvIT failed to collect 90% subscription;
 - In case of over subscription to the extent over-subscribed;
 - In case the applicants are less than 20.
- If InvIT fails to allot or refund within time limit prescribed shall pay penal interest of 15% p.a.
- Units may offered for sale to public.
 - If InvITs fails to offer initial offer or private placement within 3 years from the date of registration than they need to surrender their Certificate and cease to operate as InvITs.

21. WHAT ARE THE CONTENTS OF OFFER DOCUMENTS, PLACEMENT MEMORANDUM AND ADVERTISEMENTS?

❖ Contents of Offer Document & Placement Memorandum: (Regulation 15)

- The offer document or placement memorandum of the InvIT shall contain material, true, correct;
- The offer document or placement memorandum shall contain:-
 - No misleading or contain any untrue statements or mis-statements;
 - No guaranteed returns to the investors; and
 - Include such other disclosures as may be specified.
- The offer document shall include all information as specified under Schedule III;
- The placement memorandum shall contain all information;

❖ Contents of Advertisement:

- No advertisement shall be issued pertaining to issue of units (In case of Private issue);
- Advertisements pertaining to the offer of units by an InvIT with respect to public issue of its units should be as follows:

Advertisement material shall not be misleading and shall not contain anything extraneous to the contents of the offer document;

If an advertisement contains positive highlights, it shall also contain risk factors with equal importance in all aspects including print size;

Advertisements shall be in accordance with any circulars or guidelines as may be specified by the Board in this regard.

22. WHAT ARE THE REQUIREMENTS AND GUIDELINES FOR LISTING OF UNITS?

Regulation 16 deals with requirements and guidelines for listing of units which are explained as under:



❖ Listing Requirements:

Pursuant to Regulation 16(1) it is mandatory for all units of InvIT to be listed on a recognized stock exchange, whether publicly issued or privately placed. The listing of the units shall be in accordance with the listing agreement entered into between the InvIT and the designated stock exchanges.

In case of non-receipt of listing permission from the stock exchange(s) or withdrawal of Observation Letter issued by the Board, the units shall not be eligible for listing and the InvIT shall be liable to refund the subscription monies, if any, to the respective allottees immediately along with interest at the rate of 15% p.a. from the date of allotment.

❖ Trading Requirements:

The units shall be traded, cleared and settled in accordance with the bye-laws of designated stock exchanges. It can redeem by way of buyback or at the time of delisting of units. Further, the minimum number of unit holders in an InvIT other than the sponsor(s), its related parties and its associates shall be atleast 5 unit holders in case of privately placed InvIT and 20 unit holders in case of publicly offered units. Any person other than the sponsor(s) holding units of the InvIT prior to initial offer shall hold the units for a period of not less than one year from the date of listing of the units.

Further as per regulation 16(5), the units shall remain listed on the designated Stock Exchanges unless delisted under regulation 17.

❖ Guidelines for listing of units with respect to privately placed units and publicly offered units:

With regards to listing of **privately placed units**

Units should be mandatorily listed on the designated stock exchange with 30 working days from the date of allotment.

If an InvIT invests not less than 80% of the value of the InvIT assets, in completed and revenue generating assets, the trading lot for the purpose of trading of units on the designated stock exchange of such InvIT shall be Rs. 2 Cr.

Trading lot for the purpose of trading of units on the designated stock exchange shall be Rs. 1 crore.

With regards to listing of **publicly offered units**

Units should be mandatorily listed on the designated stock exchange with 12 working days from the date of allotment.

Trading lot for the purpose of trading of units on the designated stock exchange shall consist of 1 Unit.

23. WHAT IS THE ROLE OF ANCHOR INVESTOR IN PUBLIC ISSUE OF SHARES?



A strategic investor may participate in an offer as an anchor investor. The investment manager, on behalf of the InvIT, may allocate up to 60% of the portion available to institutional investors to anchor investors. The anchor investors will have to make an application of a value of at least INR 100 million in the public issue. Allocation

to anchor investor shall be on a discretionary basis, minimum of 2 investors up to INR 2.5 billion and minimum 5 investors exceeding INR 2.5 billion. The bidding for anchor before the issue opening date and the allocation must be completed on the same day. Units allocated and the allocation price must be disclosed on the websites. It shall have to bring in the deficit between the cut-off price and the

allocation price, if any. The lock-in period shall be 30 days for anchor investors other than a strategic investor. However, lock-in should be on 1 year for anchor investors.

24. WHAT ARE THE GROUNDS ON WHICH UNITS OF InvIT CAN BE DELISTED?

- Regulation 17 states that units can be delisted on the grounds such as public shareholding falls below 25%; number of unit holders falls below the limit; no projects or assets remaining under the InvIT for a period exceeding 6 months and no new project is planned in future; the board or the designated stock exchanges require such delisting for violation of the listing agreement or these Regulations or the Act; the trustee and investment manager requests such delisting and such request has been approved by unit holders.
- Delisting process applied by Unitholders is:
 - The Board or stock exchange may accept or reject such application as may be appropriate in the interest of the unit holders
 - The Board may even provide opportunity by providing additional time to comply with Regulations.
 - After delisting, the InvIT should surrender its certificate.

25. WHAT ARE THE INVESTMENT AND DIVIDEND POLICY?

Regulation 18 prescribes the investment conditions to be complied by InvITs. It states as follows:

- The investment of an InvIT shall only be in holdco and/ or SPVs or infrastructure projects or securities in India in accordance with these regulations and the investment strategy as detailed in the offer document or Placement memorandum.
- In case of PPP projects, the InvIT shall mandatorily invest in the infrastructure projects through holdco and/ or SPV.
- The InvIT may invest in infrastructure projects through SPVs subject to the following-
 - no other shareholder or partner of the SPV shall exercise any rights that prevents the InvIT from complying with the provisions of these regulations

and an agreement has been entered into with such shareholders or partners to that effect prior to investment in the SPV. Provided that the shareholders' agreement or partnership agreement shall provide for an appropriate mechanism for resolution of disputes between the InvIT and the other shareholders or partners in the holdco and/or the SPV and the provisions of these regulations shall prevail in case of inconsistencies between such agreement(s) and the obligations cast upon an InvIT under these regulations.

- in case the SPV is a company/LLP, the investment manager, in consultation with the trustee, shall appoint majority of the board of directors or governing board of such SPVs as applicable;
 - the investment manager shall ensure that in every meeting including annual general meeting of the SPV, the voting of the InvIT is exercised.
- The InvIT may invest in infrastructure projects through holdcos' subject to the following,-
 - the ultimate holding interest of the InvIT in the underlying SPV(s) is not less than 26%
 - no other shareholder or partner of the holdco or the SPV(s) shall exercise any rights that prevent the InvIT, the holdco or the SPV(s) from complying with the provisions of these regulations and an agreement has been entered into with such shareholders or partners to that effect prior to investment in the holdco/SPV. Provided that the shareholders' agreement or partnership agreement shall provide for an appropriate mechanism for resolution of disputes between the InvIT and the other shareholders or partners in the holdco and/or the SPV and the provisions of these regulations shall prevail in case of inconsistencies between such agreement(s) and the obligations cast upon an InvIT under these regulations.
 - the investment manager, in consultation with the Trustee, shall appoint the majority of the Board of directors or governing board of the holdco and SPV(s).
 - The InvIT shall invest not less than 80% of the value of the InvIT assets in eligible infrastructure projects either directly or through holdco or through SPVs:
 - In case of InvITs as specified under sub-regulation (4) of regulation 14,-
 - not less than 80% of the value of InvIT the assets shall be invested, proportionate to the holding of the InvITs, in completed and revenue generating infrastructure projects subject to the following;

- if the investment has been made through a holdco and/ or SPV(s) whether by way of equity or debt or equity linked instruments or partnership interest, only the portion of direct investments in completed and revenue generating projects by such holdco and/ or SPV(s) shall be considered under this sub-regulation and the remaining portion shall be included under clause (b);
 - if any project is implemented in stages, the part of the project which can be categorized as completed and revenue generating project shall be considered under this sub-regulation and the remaining portion shall be included under clause (b);
 - not more than 20% of value of the InvIT assets, shall be invested in, -
 - under-construction infrastructure projects, whether directly or through holdco and/ or SPVs. Provided that investment in such assets shall not exceed 10% of the value of the InvIT assets;
 - listed or unlisted debt of companies or body corporate in infrastructure sector. Provided that this shall not include any investment made in debt of the holdco and/ or SPV(s);
 - equity shares of companies listed on a recognized stock exchange in India which derive not less than 80% of their operating income from infrastructure sector as per the audited accounts of the previous financial year;
 - government securities;
 - money market instruments, liquid mutual funds or cash equivalents;
 - if the conditions specified in clauses (a) and (b) are breached on account of market movements of the price of the underlying assets or securities, the investment manager shall inform the same to the trustee and ensure that the conditions as specified in this regulation are satisfied within six months of such breach:
Provided that the period may be extended to one year subject to approval from investors in accordance with regulation 22
 - The investment conditions as specified at sub-regulation (4) and (5) of regulation 18 and sub-regulation shall be complied at the time of Offer document/placement memorandum and thereafter.
- With respect to distributions made by the InvIT and the holdco and/or SPV, -
 - not less than 90% of net distributable cash flows of the SPV shall be distributed to the InvIT holdco in proportion of its holding in the SPV subject to applicable provisions in Companies Act, 2013 or Limited Liability Partnership Act, 2008;

- not less than 90% of net distributable cash flows of the InvIT shall be distributed to the unit holders;
 - With regard to distribution of net distributable cash flows by the holdco to the InvIT, the following shall be complied:
 - with respect to cash flows received by the holdco from underlying SPVs, 100% of such cash flows received by the holdco shall be distributed to the InvIT; and
 - with respect to the cash flows generated by the holdco on its own, not less than 90% of such net distributable cash flows shall be distributed by the holdco to the InvIT.
 - Such distributions shall be declared and made not less than once in every financial year, in case of publicly offered InvITs every 6 months and in case of privately placed InvITs -shall be made not later than 15 days from the date of such declaration;
 - Distribution shall made in the manner as mentioned in the offer document or placement memorandum.
- If any infrastructure asset is sold by the InvIT or holdco or SPV or if the equity shares or interest in the holdco/ SPV are sold by the InvIT,
 - If the InvIT proposes to re-invest the sale proceeds into another infrastructure asset, it shall not be required to distribute any sales proceeds to the InvIT or to the investors;
 - It shall be require distributing the same, if the InvIT proposes not to invest the sales proceeds into any other infrastructure asset within a period of one year.
 - Within 15 days of declaration if the distributions are not made, then the investment manager shall be liable to pay interest to the unit holders at the rate of 15% p.a. till the distribution is made and such interest shall be recovered in the form of fees or any other form payable to the investment manager by the InvIT.
 - An InvIT shall not invest in units of other InvITs.
 - It shall not undertake lending to any person other than the holdco/ SPV(s) in which the InvIT has invested in provided that investment in debt securities shall not be considered as lending.

- It shall hold an infrastructure asset for a period of not less than 3 years from the date of purchase of such asset by the InvIT, directly or through holdco and/or SPV Provided that this shall not apply to investment in securities of companies in infrastructure sector other than SPVs.
- In case of any co-investment with any person(s) in any transaction,-
 - the investment by the other person(s) shall not be at terms more favourable than those to the InvIT;
 - the investment shall not provide any rights to the person(s) which shall prevent the InvIT from complying with the provisions of these regulations;
 - the agreement with such person(s) shall include the minimum percentage of distributable cash flows that will be distributed and entitlement of the InvIT to receive not less than pro rata distributions and mode for resolution of any disputes between the InvIT and the other person(s).
- No schemes shall be launched under the InvIT.

26. WHAT ARE THE GUIDELINES FOR RELATED PARTIES TRANSACTION?



As per Regulation 19, all related party transactions (RPTs) shall be on an arms-length basis. And all RPTs of an InvIT shall be disclosed in the offer document or placement memorandum and to the designated stock exchanges and to unit holders. The total value of all the RPTs, pertaining to acquisition or sale of assets exceeds 5% obtain unitholders approval. Obtain unitholder approval if the value of funds borrowed from related parties, exceeds 5% of the total consolidated borrowings of the InvIT. Any transaction between two or more of the InvIT with a common investment manager or sponsor shall be deemed to be RPTs. Disclosure of all the fees or commission received or to be received by such party shall be disclosed to

stock exchanges. If related parties have an interest in a business which competes or is likely to compete, either directly or indirectly, with the activities of the InvIT shall disclose the details of such business and declaration by related party shall perform its duty in relation to the InvIT independent of its related business in the offer document. Any further guidelines as board may suggest.

27. WHEN CAN INVIT MAKE BORROWINGS AND DEFERRED PAYMENTS?

As per Regulation 20 - InvIT can issue debt securities only if its units are listed on a recognized stock exchange. Such debt securities should also be listed.

The aggregate consolidated borrowings and deferred payments of the InvIT shall not exceed 70% of the value of the InvIT assets.

If it exceeds 25% but up to 49% - obtain credit rating and approval of unit holders required.

If it is above 49% - i) Credit rating of 'AAA' is required, ii) Utilization the funds only for of infrastructure projects, iii) Track record of atleast six distributions, vi) Approval of unit holders required.

If above conditions are breached then it should be rectified in next 6 months of breach.

28. WHEN IS VALUATION REPORT REQUIRED?

As per Regulation 21, Full valuation includes a detailed valuation of all assets includes physical inspection of every infrastructure project by the valuer not less than once in every financial year and shall be conducted at the end of the financial year ending March 31st within two months from the date of end of such year.

A half yearly valuation shall be conducted by the valuer for half-year ending September 30th for a publicly offered InvIT for incorporating any key changes in the previous six months and such half yearly valuation report shall be prepared within one month from the date of end of such half year.



Valuation reports shall be submitted by the investment manager to the designated stock exchanges within 15 days from the receipt of such valuation reports.

Prior to Issue of Units:

Publicly offered InvIT other than bonus issue, the valuer shall undertake full valuation of all the InvIT assets and include in the Offer Document , provided that such valuation report shall not be more than 6 months old at the time of such offer. This shall not apply in cases where full valuation has been undertaken less than 6 months prior to such issue and no material changes have occurred thereafter. Summary of the report shall be included in the offer document.

Transaction of purchase or sale of infrastructure projects through SPVs, for publicly offered InvIT, full Valuation report is required as per specific project.

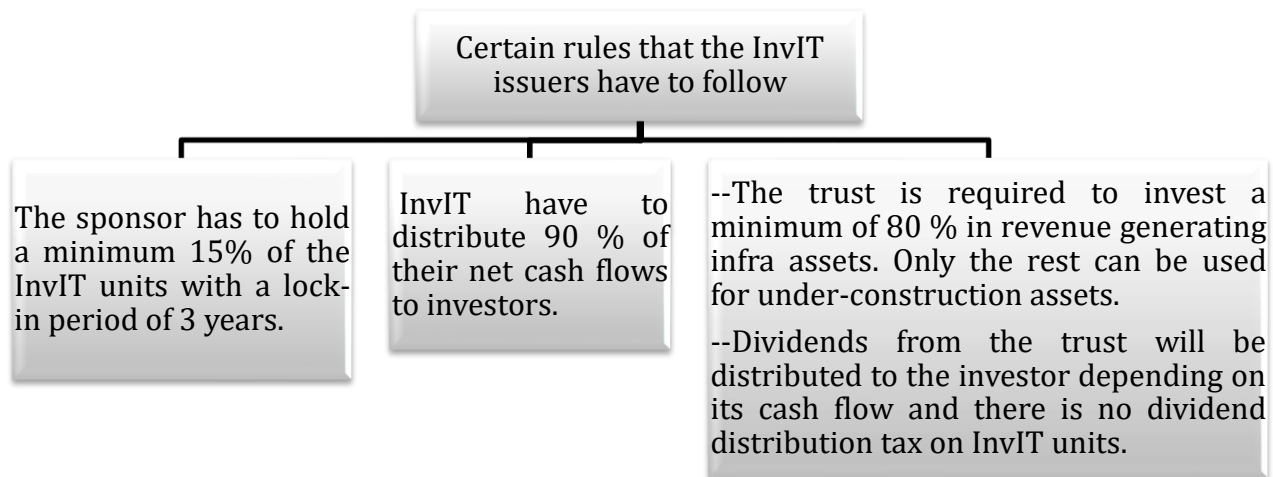
Approval of Unit holders is required in a purchase transaction, the asset is proposed to be purchased at a value greater than 110% of the value of the asset as assessed by the valuer and in a sale transaction, the asset is proposed to be sold at a value less than 90% of the value of the asset as assessed by the valuer.

Valuer Eligibility:

- The valuer shall have not less than 5 years of experience in valuation of infrastructure assets.
- Valuer can undertake valuation of the same project for 4 years consecutively and can be reappointed after 2 years from not less than once in every financial year.
- The valuer shall not undertake valuation of any assets in which it has either been involved with the acquisition or disposal within the last twelve months other than such cases where the valuer was engaged by the InvIT for such acquisition or disposal.

In case of any material development that may have an impact on valuation of the assets of the InvIT, then investment manager of a publicly offered InvIT shall require the valuer to undertake full valuation of infrastructure project under consideration within not more than 2 months from the date of such event and disclose the same to the trustee and the designated stock exchanges within 15 days of such valuation.

29. WHAT ARE THE RULES TO BE FOLLOWED BY InvIT ISSUERS TO SAFEGUARD INVESTORS?



30. WHAT IS THE PROCEDURE FOR HOLDING ANNUAL GENERAL MEETING (AGM) OF UNIT HOLDERS?

Regulation 22(2) provides for procedure to be followed for holding AGM of unit holders as under-

- I. •An annual meeting of all unit holders shall be held not less than once a year within 120 days from the end of financial year and the time between two meetings shall not exceed 15 months;
- II. •A resolution shall be considered as passed when the votes cast by unit holders, so entitled and voting, in favour of the resolution exceed a certain percentage as specified in these Regulations, of votes cast against;
- III. • The voting may also be done by postal ballot or electronic mode;
- VI. •A notice of not less than 21 days shall be provided to the unit holders; voting by any person who is a related party; investment manager shall be responsible for all the activities pertaining to conducting of meeting of the unit holder, subject to overseeing by the trustee.

31. WHAT ARE THE MATTERS ON WHICH APPROVALS ARE REQUIRED FROM UNIT HOLDERS?

As per Regulation 22(3), the unit holder shall have the rights to receive income or distributions as provided for in the offer document or placement memorandum.

- Votes cast in favour of the resolution shall be **more than the votes cast against** the resolution. Following matters require approval of the unit holders:
 - latest annual accounts and performance of the InvIT;
 - approval of auditor and fees of such auditor, as may be required;
 - latest valuation report;
 - appointment of valuer, as may be required;
 - approval for investment conditions,
 - approval for related party transactions and valuation of assets;
 - any transaction, other than any borrowing, value of which is equal to or greater than 25% of the InvIT assets;
 - any issue of units after initial public offer by InvIT;
 - increasing period for compliance with investment conditions to one year;
 - any issue, in the ordinary course of business;
 - any issue for which SEBI or the designated stock exchanges requires such approval; any such grounds.

- Votes cast in favour of the resolution shall not be **less than one and the half times** the votes cast against the resolution. Following are the matters requiring approval of the unit holders:
 - Any change in manager including removal of the manager or change in control of the manager;
 - any material change in investment strategy or any change in the management fees of the InvIT;
 - the sponsor(s) or investment manager proposing to seek delisting of units of the InvIT;
 - any issue not in the ordinary course of business, which in the opinion of the sponsors/manager/trustee requires approval of the unit holders;
 - any issue for which the Board or the designated stock exchanges requires approval.

- Any issue taken up on request of the unit holders including:
 - removal of the manager and appointment of another investment manager;
 - removal of the auditor and appointment of another auditor;
 - removal of the valuer and appointment of another valuer;
 - delisting of the units of InvIT;
 - any issue which the unit holders have sufficient reason to believe that acts detrimental to the interest of the unit holders.

32. WHAT ARE THE DISCLOSURES REQUIREMENT TO BE COMPLIED BY INVESTMENT MANAGER?

Regulation 23 provides for certain disclosures to be made by Investment Manager as follows:

- A privately placed InvIT shall ensure that disclosures in placement memorandum are in accordance with the sub-regulation (4) of regulation 15 and any circulars or guidelines issued by the Board in this regard.
- A publicly offered InvIT shall ensure that disclosures in offer document are in accordance with the Schedule III and any circulars or guidelines issued by the Board in this regard.
- Investment manager of all InvITs shall submit an annual report to all unit holders electronically or by physical copies and to the designated stock exchanges within 3 months from the end of the financial year,
- a half-yearly report should be submitted to the designated stock exchange within 45 days from the end of half year ending i.e. 30th September by investment manager.

Provided that in terms of regulation 20 any InvIT, whose units are listed and whose consolidated borrowings and deferred payments, is above 49%, such InvIT shall also submit a quarterly report to the designated stock exchange within 30 days from the end of every quarter ending June and December.

- The investment manager shall disclose to the designated stock exchanges any information having bearing on the operation or performance of the InvIT as well as price sensitive information including but not limited to following,-

- acquisition or disposal of any projects, directly or through holdco or SPV, value of which exceeds 5% of value of the InvIT assets;
 - additional borrowing, at level of holdco or SPV or the InvIT, exceeding 15% of the value of the InvIT assets ;
 - additional issue of units by the InvIT;
 - details of any credit rating obtained by the InvIT and any change in such rating;
 - any issue which requires approval of the unit holders;
 - any legal proceedings which may have significant bearing on the functioning of InvIT;
 - notices and results of meetings of unit holders,
 - any instance of non-compliance with these regulations including any breach of limits specified under the regulations;
 - any material issue that in the opinion of the investment manager or trustee needs to be disclosed to the unit holders.
- They shall also submit such information to the designated stock exchanges and unit holders on a periodical basis as may be required under the listing agreement.
 - They shall disclose to the designated stock exchanges, unit holders and the Board such information and in the manner as may be specified by the Board.
 - The InvIT shall also provide disclosures or reports specific to sector or sub-sector in which the InvIT has invested or proposes to invest.

33. WHAT RECORDS ARE TO BE MAINTAINED BY INVESTMENT MANAGER AND TRUSTEE?

Under Regulation 26(1), **the trustee** shall maintain records, wherever applicable, pertaining to, –

- (a)** Certificate of registration granted by SEBI;
- (b)** Registered trust deed;
- (c)** Documents pertaining to application made to the Board for registration as an InvIT;
- (d)** Titles of the infrastructure assets: However, where the original title documents are deposited with the lender or any other person in respect of any loan or debt, the trustee shall maintain copies of such title documents;
- (e)** Notices and agenda sent to unit holders for meetings held;
- (f)** Minutes of meetings and resolutions passed therein;
- (g)** Periodical reports and disclosures received by the trustee from the investment manager;
- (h)** Disclosures, periodically or otherwise, made to SEBI, unit holders and the designated stock exchanges;
- (i)** Any other material documents.

Under Regulation 26(2), **the investment manager** shall maintain records pertaining to the activity of the InvIT, wherever applicable, including,–

- (a)** All investments or divestments of the InvIT and documents supporting the same including rationale for such investments or divestments;
- (b)** Agreements entered into by the InvIT or on behalf of the InvIT;
- (c)** Documents relating to appointment of persons; Insurance policies for infrastructure assets; investment management agreement;
- (d)** Documents pertaining to issue and listing of units including placement memorandum, draft and final offer document, in- principle approval by designated stock exchanges, listing agreement with the designated stock exchanges, allotment of units, etc;
- (e)** Distributions declared;
- (f)** Disclosures and periodical reporting made to the trustee, SEBI, unit holders and the designated stock exchanges including annual reports, etc;
- (g)** Valuation reports including methodology of valuation;
- (h)** Books of accounts and financial statements, Audit reports;
- (i)** Reports relating to activities of the InvITs placed before the board of directors of the investment manager.

34. WHAT ARE THE POWERS OF BOARD TO CALL FOR REPORTS AND INFORMATION?

- With respect to the activities relating to the InvIT, regulation 24 states Board may at any time call upon the InvIT or parties to the InvIT to file such reports, as the Board may desire.
- As per regulation 25, Board may at any time call for any information from the InvIT or holdco or SPV(s) parties to the InvIT or holdco or SPV(s) any unit holder or any other person with respect to any matter relating to activity of the InvIT and it shall be furnished within the time specified by the Board.

35. WHEN CAN SEBI UNDERTAKES INSPECTION OF INVIT?

❖ Board's right to inspect the documents of InvIT:

As per Regulation 27, the Board may *suo motu* or upon receipt of information or complaint appoints 1 or more persons as inspecting officers to undertake inspection of the books of accounts, records and documents relating to activity of the InvIT for the following reasons-



InvIT;

- To ensure that the books of account, records and documents are being maintained by the InvIT or parties to the
- To inspect into complaints received from unit holders, clients or any other person, on any matter having a bearing on the activities of the InvIT;
- To ascertain act and Regulations are being complied with by the InvIT
- To inspect *suo motu* into the affairs of the InvIT, in the interest of the securities market or investors.

❖ **Notice before such inspection:**

Regulation 28 states before ordering an inspection under Regulation 27, the SEBI shall give not less than 10 days' notice to the trustee of the InvIT, where the SEBI is satisfied that in the interest of the investors no such notice should be given, it may, by an order in writing, direct that the inspection of the affairs of the InvIT be taken up without such notice.

During the inspection, the InvIT parties to the InvIT shall be bound to discharge their obligations as provided in Regulation 29 against whom inspection is being conducted.

❖ **Obligations:**

InvIT, parties to the InvIT and any other associate persons on inspection have certain obligation as per Regulation 29 mentioned below:-

- To produce to the inspecting officer such books, accounts and other documents in his custody or control and furnish him with such statements and information as the inspecting officer may require for the purposes of inspection.
- To give to the inspecting officer all such assistance and to extend all such co-



operation as may be required in connection with the inspection and to furnish such information as may be sought by the inspecting officer in connection with the inspection.

- The inspecting officer shall, have power to examine on oath and record the statement of any employees and directors of the InvIT.
- The inspecting officer have power to obtain authenticated copies of documents, books, accounts of InvIT, from any person having control or custody of such documents.

- ❖ The inspecting officer shall on completion of the inspection submit an inspection report to the Board. However if directed by the Board, he may submit an interim report stated as per Regulation 30.
- ❖ The Board may after consideration of the inspection report and after giving reasonable opportunity of hearing to the InvIT may issue such directions as per Regulation 31 as it deems fit in the interest of securities market or the investors in the nature of-
 - (a) Requiring delisting its units from the stock exchanges and surrendering its certificate of registration;
 - (b) Requiring to wind up;
 - (c) Requiring selling its assets;
 - (d) Requiring the InvIT or parties to the InvIT to take such action as may be in the interest of the investors;
 - (e) Prohibiting the InvIT or parties to the InvIT from operating in the capital market or from accessing the capital market for a specified period.

36. WHAT IS THE DIFFERENCE BETWEEN InvIT, REIT (REAL ESTATE INVESTMENT TRUST) AND MUTUAL FUND?



Sr.No.	Basis	REIT	InvIT	Mutual Fund
1	Meaning	Entities that purchase, manage, or finance revenue-generating commercial properties are eligible to launch REITs in India.	InvIT, allow investors to pool the capital and hold infrastructure assets that can generate revenue.	A mutual fund pools money from multiple investors and invests them across different asset classes, across industries. Every mutual fund invests a certain percentage of money in a company belonging to a particular sector.
2	Types	It own real estate properties and generate revenue by leasing, renting, or selling them.	Completed projects and under-construction projects	Equity funds, debt funds, hybrid funds.
3	Example	Shopping complex, hotels, malls, hospitals, etc.	Highways, gas pipelines, roads, power, energy projects, etc.	Such as stocks, bonds, shares, etc.

37.WHAT IS THE ROLE OF COMPANY SECRETARY UNDER SEBI (INFRASTRUCTURE INVESTMENT TRUSTS) REGULATIONS, 2014?

A Company Secretary is an expert strategic planner who is the face of the management and serves as a focal point between the board of directors, senior management and the stakeholders. He/she interacts with investors, suppliers, lenders, customers, board, department, government, regulators advisors, society, media and other forums.

It plays a vital role in InvIT as company secretary has knowledge of capital markets and the other laws, knowledge of finance, familiar with commerce and trade practices.



It provides various governance and secretarial services:-

- Take care of interest of the shareholder;
- Aligns with various management functions and company policies;
- Bound by code of conduct;
- Convening and conducting meetings of Board and unitholders;
- Compliance with various rules and Regulation during Initial public offer, rights issue, preferential issue, bonus issue any other way as may be prescribed by board;
- Various compliance with the SEBI related to projects or issue process;
- Vetting legal agreements with authorities & clients;
- Representative before SEBI, SAT, Stock exchange on behalf of intermediary and clients;
- Compliance audit and other services;
- Handles investor grievances;
- Assistance in delisting of unit, if required;
- Any other as prescribed.

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VISION

“To be a global leader in promoting
good Corporate Governance”

MISSION

“To develop high calibre professionals
facilitating good Corporate Governance”



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