

InvITs struggle over tax clarification, low investor interest

With investors still not bullish, it may take longer for InvITs to gain momentum

AMRITHA PILLAY
Mumbai, 7 December

Listings of infrastructure investment trusts (InvITs) have taken a back seat though the country's first two InvITs were listed this financial year (FY18).

With investors still not bullish about the instrument and developers seeking taxation clarity, it may take longer for InvITs to gain momentum. IRB Infrastructure Developers was the first company to list its investment trust, while Sterlite Power Grid Ventures' IndiGrid Trust was the second. Both are trading below their listing price on the BSE.

"Alternative funding avenues



like InvITs have not picked up after initial issuance. The weak market response to the listed InvITs and pending clarity on tax liability arising at the time of transferring assets to the InvIT have made prospective InvIT issuers put their plans on hold," said

Shubham Jain, vice-president and sector head, corporate ratings, Icra.

Experts say InvITs have the potential to garner \$5-7 billion in some years

According to industry sources, the required tax clarification is expected to come in the Budget session.

"Companies are seeking a clarification pertaining to certain tax structures, and the ministry is now expected to clarify in the budget session," said a spokesperson for IL&FS Transportation Networks (ITNL).

WIDER HORIZONS

INVITS LAUNCHED SO FAR

► **IRB InvIT Fund** ► **IndiGrid InvIT Fund**

INVITS' EXPECTED
POTENTIAL IN
NEXT FEW YEARS

**\$5 billion
to \$7 billion**

COMPANIES PLANNING AN INVIT

► **GMR Infrastructure**
► **Reliance Infrastructure (RInfra)**
► **MEP Infrastructure Developers**
► **IL&FS Transportation Networks**

evaluating if adding more road projects to the InvIT can make it attractive. We may evaluate an InvIT for the March quarter or next year," said Jayant Mhaikar, vice-chairman and managing director, MEP Infrastructure.

GMR Infrastructure, Reliance Infrastructure (RInfra), MEP Infrastructure, ITNL, and Larsen & Toubro (L&T) are companies that are in different stages of exploring InvITs. Queries sent to GMR Infrastructure and RInfra remained unanswered. Of these, L&T remains confident of launching an InvIT this financial year.

InvITs are trusts that invest in infrastructure projects either directly or through special purpose vehicles. These allow companies to unlock tied capital in completed projects while aiding in financing and refinancing infrastructure projects.

Almost a year ago, industry experts said InvITs had the potential to garner \$5-7 billion in the next few years. So far, IRB has raised around ₹5,000 crore through the InvIT and Sterlite has mobilised ₹2,250 crore.

IRB has raised ₹5,000 crore and Sterlite has mobilised ₹2,250 crore

In addition to tax issues, companies are struggling to get investor interest.

Certain others such as MEP Infrastructure Developers are evaluating bundling various other road projects.

"Investors want to see what the yields and gains are from the current two InvITs. For MEP Infrastructure, we are