PRESS RELEASE

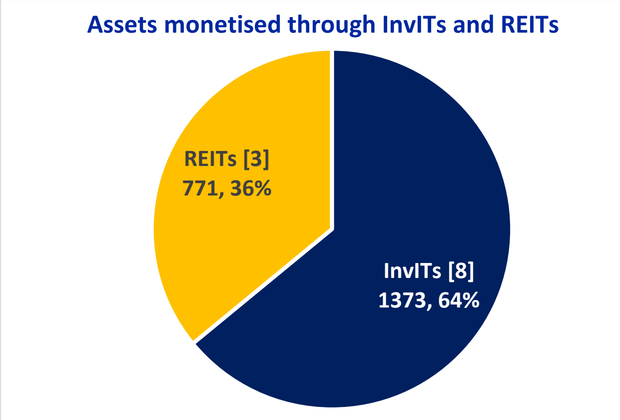
June 10, 2021

Over Rs.3.5 trillion of assets likely to get monetised through InvITs and REITs as a platform in next one year: ICRA

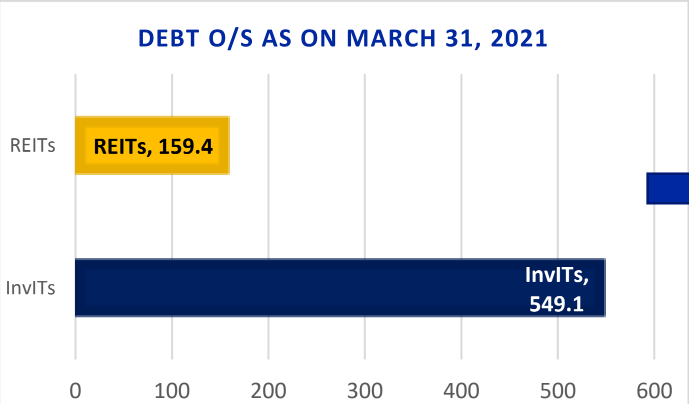
- ***Till date assets worth Rs. 2.1 trillion have been floated through these platforms – 64% through InvITs and 36% through REITs***
- ***With InvITs and REITs now recognised as borrowers under the SARFAESI Act, lenders to these trusts, shall have adequate statutory enforcement options, earlier this was becoming a constraint***

Infrastructure Investment Trust (InvIT) and Real Estate Investment Trust (REIT) structures are expected to see healthy traction in the near to medium term, supported by the track record of entities which have already floated such structures, enabling regulatory developments and focus on attracting investments into the infrastructure space. In the last two years, the InvIT space had witnessed monetisation of assets worth Rs.853 billion. During the same period, all three REITs valued at Rs. 771 billion were listed. With InvITs and REITs now recognised as borrowers under the SARFAESI Act, lenders to these trusts, shall have adequate statutory enforcement options, absence of which was earlier becoming a constraint for bankers to lend directly at trust level. Further, Insurance Regulatory and Development Authority of India (IRDAI) has recently allowed insurers to invest in debt instruments of InvITs and REITs rated AA and above as a part of their approved investments, which evidences growing comfort of lenders as well as investors around such structures. Clarifications on the tax-free nature of dividend distribution from these trusts (subject to certain conditions) have also resulted in them being viewed more favourably.

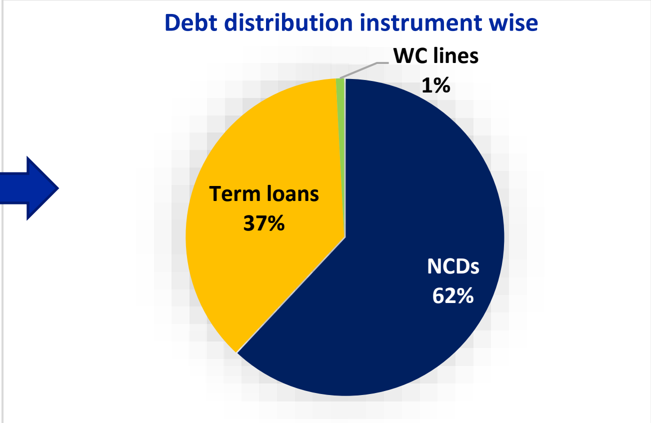
Shedding more light on the trends, Mr. Shubham Jain, Group Head & Senior Vice President, Corporate Ratings, ICRA, said, *"The supporting regulatory framework for various stakeholders attracted both debt and equity investors towards these trusts. Till date assets worth Rs. 2.1 trillion have been floated through these platforms – 64% through InvITs and 36% through REITs. Lenders are also increasingly becoming comfortable lending to such structures. InvITs and REITs together raised debt of Rs. 708 billion so far majorly through NCD route (62%) and term loans (37%). The capital raising by these trusts is also aided by the favourable view that investors have taken on the long-term revenue generation potential of such infrastructure and real estate assets in the country."*



Source: ICRA research; figures in Rs. billion



Source: ICRA research, figures in Rs. billion



With track record of more than five years for InvITs and two years for REITs, supporting regulatory framework and the increase in comfort levels of various stakeholders on these platforms; the potential remains huge.

"In the real estate space, there are various developers and asset managers who have steadily built-up large portfolios of REIT-ready assets which can be monetized through this route. Of such portfolios, assets worth over Rs. 1 trillion are likely to be listed in the near to medium term. Infrastructure assets with 3 to 5 years of operating track record across various segments like, roads, gas pipeline, digital fibre, power transmission and renewables are ideal candidates for monetisation through this platform. Of this, assets worth over Rs.2.5 trillion are expected to be monetized through InvIT in next one year. GoI for its national monetisation pipeline is also using these platforms for NHAI, PowerGrid and GAIL among others." **Mr. Jain added**.

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