

IRB Infrastructure looks to raise up to Rs4,300 cr via InvIT fund

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MAIDEN VENTURE

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IRB Infra is first firm to file a draft red herring prospectus with Sebi for an infrastructure investment trust fund

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MUMBAI

IRB Infrastructure Developers Ltd on Thursday said its infrastructure investment trust (InvIT) fund has filed a draft red herring prospectus (DRHP) with market regulator Securities and Exchange Board of India (Sebi) to raise as much as ₹4,300 crore.

IRB Infrastructure's shares rose as much as 9.8% on Thursday after the announcement. It is the first company to file a DRHP for an InvIT.

InvITs are trusts that manage income-generating infrastructure assets, typically offering investors regular yield and a liquid method of investing in infrastructure projects.

The long-term funds raised from unit-holders can help developers unlock value in their completed projects or repay debt associated with them.

In 2014, Sebi allowed Indian firms to launch real estate investment trusts and InvITs to help cash-strapped developers get easier access to funds while also creating a new investment avenue for institutions and high networth individuals. Then in May, Sebi released norms for the public issue of units of InvITs—the final set of major rules that were awaited before firms could start marketing their issues.

Apart from IRB, other infrastructure companies including IL&FS Transportation Networks Ltd (ITNL), Sterlite Power Grid Ventures Ltd, GMR Infrastructure Ltd and MEP Infrastructure Developers Ltd are also looking



Green light: In May, the Securities and Exchange Board of India released norms for the public issue of units of InvITs, the final set of major rules that were awaited before companies could start marketing their issues.

to raise money and cut debt via instruments such as InvITs. These companies are yet to file a DRHP.

ITNL will transfer three-four of its mature operational road assets to a trust, which will help it reduce debt substantially, the company's chief financial officer Dilip Bhatia said last month.

IRB's InvIT should generate excitement among institutional investors, who will take this opportunity to subscribe, said Santosh Yellapu, an analyst at Angel Broking Pvt. Ltd.

"Success of an InvIT will be highly dependent on what kind of yield the assets will be giving to the investors, and that yield in turn is dependant on the kind of assets being put under the portfolio. IRB has put its better quality road projects in the portfolio, which have strong operational track record and traffic growth of over 8%," he said.

It remains to be seen what kind of returns the new vehicle can bring to infrastructure companies, who are in need of sig-

nificant recapitalization of their large projects.

Success of the first few InvIT offerings will be critical for the product to sustain in the long term, said Abhishek Goenka, tax partner at PricewaterhouseCoopers.

IRB Infrastructure first said in August 2015 that it would set up an InvIT and transfer at least 12-15 of its existing operational road projects to the trust to unlock value from operational assets. It received Sebi's approval in March.

The company has a portfolio of 20 road projects. Its consolidated debt as on 31 March was ₹13,840.35 crore.

IRB Infrastructure chairman and managing director Virendra Mhaiskar was not available for a comment on Thursday.

Mint had reported on 27 July that the toll road developer is looking to file DRHP for its InvIT as early as mid-August, citing three people (<http://bit.ly/2ap2G6l>).

IRB Infrastructure Pvt. Ltd, the

investment manager to the trust and a wholly owned subsidiary, filed a draft offer document dated 7 September with Sebi, BSE and NSE, the company said in a BSE filing on Thursday.

"The initial public offer consists of a fresh issue of units, aggregating up to ₹43,000 million, by the trust, and an offer for sale of units by the company and certain of its subsidiaries, namely Modern Road Makers Pvt. Ltd, Aryan Toll Road Pvt. Ltd, ATR Infrastructure Pvt. Ltd and Ideal Road Builders Pvt Ltd," IRB Infrastructure said in the filing.

"The investment manager, in consultation with the global coordinators and book running lead managers and the book running lead managers to the Issue, reserves the option to retain oversubscription of up to 25% of the issue size in accordance with InvIT regulations," it said.

IRB Infrastructure's shares closed up 9.11% at ₹252.05 apiece on BSE on Thursday.