To,

All Infrastructure Investment Trusts (InvITs)
All Parties to InvITs
All Stock Exchanges (other than Commodity Exchanges)
All Merchant Bankers

Dear Sir/ Madam,

Sub: Guidelines for Preferential Issue of Units by Infrastructure Investment Trusts (InvITs)

1. Regulation 2(1)(zo) of SEBI (Infrastructure Investment Trusts) Regulations, 2014 (“InvIT Regulations”) defines a preferential issue. Regulation 14(4)(b) read with Regulation 2(1)(zo) provides for any subsequent issue of units after an initial offer in a manner specified by Board from time to time. Accordingly, the detailed guidelines for preferential issue by an InvIT are provided herein.

2. Conditions for preferential issue

2.1. A listed InvIT may make preferential issue of units to an institutional investor as defined in the InvIT regulations, if it satisfies the following conditions:

2.1.1. A resolution of the unitholders of the InvIT approving the preferential issue in accordance with Regulation 22(5) of the InvIT Regulations has been passed.

2.1.2. The InvIT is in compliance with the conditions for continuous listing and disclosure obligations under the InvIT Regulations and circulars issued thereunder.

2.1.3. The InvIT is in compliance with the minimum public unitholding requirements as stipulated under Regulation 16 (6) of the InvIT Regulations.

2.1.4. No preferential issue of units by the InvIT has been made in the six months preceding the relevant date.

2.2. Preferential issue pursuant to the unitholders resolution referred to in Clause 2.1.1 shall be completed within a period of twelve months from the date of passing of the resolution.

2.3. Allotment pursuant to preferential issue shall be completed within 12 days.

2.4. The units shall be issued only in dematerialized form.

2.5. The units to be issued in preferential issue shall be of same class or kind as the units issued in the initial offer by the InvIT.
Further, such units have been listed on a recognised stock exchange, having nationwide trading terminal for a period of at least six months prior to the date of issuance of notice to its unitholders for convening the meeting to approve the preferential issue.

2.6. The minimum subscription and trading lot for the units to be issued in preferential issue shall be same as that for units issued in the initial offer by the InvIT.

2.7. The units in a preferential issue shall be offered and allotted to a minimum of two investors and maximum of 1000 investors in a financial year.

2.8. Relevant date for the purpose of preferential issue shall mean the date of the meeting in which the board of directors of the investment manager of the InvIT or the committee of directors duly authorised by the board of directors of the investment manager of the InvIT decides to open the proposed issue.

3. Placement Document

3.1. The InvIT may appoint one or more SEBI registered intermediaries to carry out the obligations relating to the issue.

3.2. The preferential issue of units by an InvIT shall be done on the basis of a placement document, which shall contain disclosures as specified in Annexure I.

3.3. The placement document shall be serially numbered and copies shall be circulated only to select investors subject to compliance with clause 2.7 above.

3.4. The InvIT shall, while seeking in-principle approval from the recognised stock exchange, furnish a copy of the placement document, a certificate issued by its merchant banker or statutory auditor confirming compliance with the provisions of these Guidelines along with any other documents required by the stock exchange.

3.5. The placement document shall also be placed on the website of the concerned stock exchange and the InvIT with a disclaimer to the effect that it is in connection with a preferential issue and that no offer is being made to the public or to any other investor.

4. Pricing

4.1. The preferential issue shall be made at a price not less than the average of the weekly high and low of the closing prices of the units quoted on the stock exchange during the two weeks preceding the relevant date.

Explanation: For the purpose of this clause, the term “stock exchange” means any of the recognised stock exchanges on which the units of the InvIT are listed and
on which the highest trading volume in such units has been recorded during the two weeks immediately preceding the relevant date.

4.2. The InvIT shall not allot partly paid-up units.

4.3. The prices determined for preferential issue shall be subject to appropriate adjustments, if the InvIT:

4.3.1. makes a rights issue of units

4.3.2. is involved in such other similar events or circumstances, which in the opinion of the concerned stock exchange, requires adjustments.

5. Restriction on allotment

5.1. No allotment shall be made, either directly or indirectly, to any party to the InvIT or their related parties except to the sponsor only to the extent that is required to ensure compliance with regulation 12 (3) of the InvIT Regulations.

Explanation: To determine the “related parties”, the term related party as defined under the InvIT Regulations shall be applicable. However, Mutual Funds, Insurance Companies and Pension Funds shall not be treated as related parties for the purpose of clause 5.1 above.

5.2. The applicants in preferential issue shall not withdraw their bids after the closure of the issue.

6. Transferability of Units

6.1. The units allotted under preferential issue shall not be sold by the allottee for a period of one year from the date of allotment, except on a recognised stock exchange.

7. This circular is being issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992, Regulation 33 of the InvIT Regulations.

8. This Circular is available on the website of the Securities and Exchange Board of India (“SEBI”) at www.sebi.gov.in under the category “Legal” and under the drop down “Circulars”.

Yours faithfully,

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Information to be included in the placement document:

1) Disclaimer to the effect that the Placement Document relates to an issue made to institutional investors under the InvIT Regulations and these Guidelines and that no issue is being made to the public or any other class of investors.

2) Market Price Information: Disclose particulars of:

   a) high, low and average market prices of units of the InvIT during the preceding three years or since the date of listing until the date of the placement document, as applicable;

   b) monthly high and low prices for the six months preceding the date of filing of the placement document;

   c) number of units traded on the days when high and low prices were recorded in the relevant stock exchange during period of (i) and (ii) above, and total volume traded on those dates;

   d) the stock market data referred to above shall be shown separately for periods marked by a change in capital structure, with such period commencing from the date the concerned stock exchange recognizes the change in the capital structure;

   e) the market price immediately after the date on which the resolution of the board of directors of the investment manager or manager of the InvIT approving the issue was approved.

   f) the volume of units traded in each month during the six months preceding the date on which the placement document is filed with the stock exchanges and the Board;

   g) along with high, low and average prices of units of the InvIT, details relating to volume of business transacted should also be stated for respective periods.

3) The placement document shall contain the disclosures as specified under schedule III of the InvIT Regulations in the following manner:

   a) The disclosures as per clauses 1, 2, 3, 5, 6, 7(a), 8, 12, 13, 14, 15, 16, 17 and 19 shall be made in the placement document.

   b) The disclosures in clause (a) above may be incorporated by reference to disclosures made in any previous offer document or placement memorandum or placement document.

Provided, the link(s) to such document wherever available, including on the website of the InvIT, stock exchanges or SEBI, shall also be provided.
Provided further, any modification/update in the information provided in such documents shall be suitably incorporated in the placement document.

4) Terms of the issue:
   a) Objects of the issue
   b) If the objects of the issue involve financing of any new asset(s), description of such asset(s) as per disclosures required under clause 6 of the Schedule III of the InvIT Regulations.
   c) If the objects are not being financed solely through the issue proceeds, the details of other financing arrangements for fulfilling the objects of the issue.

5) Related Party Transactions:
   a) Disclosure as per clause 9 of the Schedule III of the InvIT Regulations, which may be incorporated by reference to disclosures made in any previous offer document or placement memorandum or placement document.
   b) Any disclosures made regarding related party transactions shall also be incorporated by reference to such disclosures.
   c) Link(s) to document(s) at (a) and (b) above wherever available, including on the website of the InvIT, stock exchanges, shall be provided.

6) Valuation
   a) Summary of valuation of the assets proposed to be financed through proceeds of the issue, if any, as per the latest valuation report not more than six months old from the relevant date.
   b) Valuation methodology
   c) Frequency of valuation and declaration of NAV.
   d) Any disclosures made regarding valuation since the initial offer shall also be incorporated by reference to such disclosures.
   e) Link(s) to document(s) at (d) above wherever available, including on the website of the InvIT, stock exchanges, shall be provided.
   f) The valuation report of the asset to be financed through proceeds of the issue, if any, shall be provided along with the placement document.

7) Financials
   a) Disclosure as per clause 11 of the Schedule III of the InvIT Regulations
   b) Disclosure as per clause (a) above may be incorporated by reference to any public disclosures of financials made under the InvIT Regulations or any
circular issued thereunder, along with link(s) to such disclosure(s) wherever available, including on the website of the InvIT, stock exchanges.

Provided, the information contained therein is not more than six months old from the relevant date.

8) Distribution including the manner of calculation of the net distributable cash flows, history of distributions made in the last three financial years or from the date of listing of the InvIT and the policy, if any.

9) Other disclosures:

   a) Unit holding pattern
   b) Review of Credit Rating
   c) Grievance redressal mechanism
   d) The disclosures in clause (a), (b) and (c) above may be incorporated by reference to any public disclosures made under the InvIT Regulations or any circular issued thereunder, along with link(s) to such disclosure(s) wherever available, including on the website of the InvIT, stock exchanges.