Valuation Summary	Amount
Enterprise Valuation	Rs. 5,921 Cr
Net External debt from Banks & FI's (A)	Rs. 3,249 Cr
Net Sponsor loans (B)	Rs. 1,396 Cr
Sponsor lock-in @15% of EV	Rs. 888 Cr
Issue Expenses (C)	Rs. 100 Cr
Fresh Issue size (A+B+C)	Rs. 4,745 Cr
OFS Size	Rs. 288 Cr
Total Issue Size (including oversubscription)	Rs. 5,033 Cr
Total Issue Size (excluding oversubscription)	Rs. 4,655 Cr
QIB Bucket (75%)	Rs. 3,491 Cr
Anchor Bucket (60% of QIB)	Rs. 2,095 Cr
Net QIB portion	Rs. 1,396 Cr
Other Bidder Category (25%)	Rs. 1,164 Cr

FAQs on IRB InvIT Fund

1. Is the InvIT issuing a debt instrument or an equity instrument?

The InvIT issues a unit, which represents the ownership of the equity share capital in the underlying infrastructure projects, which inter alia may also include ownership of the debtadvanced by the Trust to the SPVs..

2. Is this instrument rated?

No, the units of an InvIT are not rated instruments. The units cannot be rated as the units do not carry any coupon or repayment obligation. If the InvIT raises any external debt for new acquisitions, the debt can be rated at the time.

3. Is there any assurance on returns?

No, SEBI Regulations do not permit any assurance of fixed return in an InvIT structure. However, the InvIT regulations require a distribution (every 6 months) equivalent to 90% or more of the Net Distributable Cash Flows (NDCF) of the InvIT. The NDCF are to be calculated as per their respective definition in the Offer Document. In summary, they include cash flows received by the InvIT from the SPVs in the form of interest, dividends and repayment of term loans.

4. What are the tax implications for Investors? (Split by income stream)

Cash generated by the Projects held by the InvIT is upstreamed into the InvIT through three streams viz. dividends, interest and repayment of loans advanced by the Trust to the projects.

- Interest income shall be taxable in the hands of Unit Holders as if they have received the interest directly
  - At applicable rates for resident unit holders, the withholding tax on interest income is 10%.
  - At 5% for non-resident / offshore investors; benefits under DTAA, if any, shall be available

- Dividend Income distributed by the Trust is exempt in the hands of all Unit Holders
- Sale of listed units of InvIT on the exchange to attract levy of STT at par with that of listed equity shares
  - Long term capital gains (LTCG), where units held for over 36 months, would be tax exempt and short term capital gains (STCG) would be taxable @ 15%
  - For Non-Resident Unit Holders, benefits under respective DTAA, if any, shall be available

All income received by the InvIT from the SPVs receives a pass through treatment and is not taxable at the InvIT level, hence providing a clean and transparent tax structure.

5. What are the tax implications for Sponsor?

- Capital gains in the hands of the Sponsor at the time of exchange of shares in SPV with units of InvIT shall be deferred; such capital gains will be taxable only at the time of disposal of units by Sponsor.
- Future sale of units by sponsor will attract capital gains tax as well as STT. As the Sponsor is locked in for three years, this will automatically be exempt as it would qualify as a long term capital gain.

6. What is the face value of each Unit?

The units issued by an InvIT do not have any Face Value.

7. What will the investors own? Will there be any classification of the units between debt & equity?

An investor holding units of an InvIT will own both the debt (advanced by the Trust) & equity of the underlying Project SPVs.

8. What will be the liability of the unit-holder?

The liability of a unit-holder is limited to the amount of capital invested by him at the time of subscription to the units of the InvIT.

9. Will the NCDs / loans given by the InvIT to the Project SPVs qualify towards the limit of 49%?

For the purpose of calculating the ceiling of external debt of 49%, the loans / debt provided by the InvIT to its underlying Project SPVs will not be included under the classification of Debt.

10. What is the legal status of various classes of investors with respect to their eligibility to invest in the InvIT?

There are no restrictions with regard to eligibility for investments in InvIT.

11. What are the rights of Unit-holders in IRB InvIT Fund?

Broad rights of unit holders:

- Right to receive returns through cash distributions made by the Trust
- Rights to vote on matters pertaining to acquisition of new assets
- Right to vote on matters such as appointment or change of the Investment Manager

12. What are the consequences if the Concession Agreement of any of the Project SPVs gets terminated?

The Concession Agreement provides for the various scenarios in which a project may terminate and the entire compensation payable to a Concessionaire is well documented and explained therein. Compensation due to the Concessionaire shall be Debt Due plus 150% of Adjusted Equity. The projects are all NHAI Concessions and events of termination on operational assets are extremely rare and unlikely. As such the unit holders interest is fully protected.

13. Why is a 100% subsidiary of the Sponsor appointed as the Investment Manager of the IRB InvIT Fund?

- The product is a first of its kind and the role of the IM, to start with and handhold the initial operations, had to owned up by one of the 100% subsidiaries of IRB.
- In order to ensure that the IM has vast sector and industry experience a team from IRB was carved out to manage the roles and responsibilities of the IM to start with.
- Presently the Board of the IM comprises 3 independent directors with rich expertise in the industry of infrastructure finance and appraisal / evaluation of infrastructure projects. The non-independent director has vast experience in the business of roads and highways and is the current President of the National Highways Builders Forum.
- The Sponsor is open to having representatives of unit holders on the Board of the IM and keep the affairs of the IM completely transparent. In future, the Sponsor is also open to change the IM based on the desire of the unit holders.
- The IM has to report to the Trustee viz. IDBI Trusteeship Services Ltd. Which is an independent third party trustee and this also acts an automatic built in internal control mechanism to the Unit holders.
- The results of the InvIT, distributions and valuation have to be disclosed publically and to the Stock exchanges, adding further transparency to the functioning of the Trust.
- Major decisions such as Acquisitions and disposals require unitholder approvals, and the sponsor does not have the right to vote on matters where it is an interested party. Thereby a scenario for acquisition of an asset requires 60% of the unitholders (excluding the sponsor) to vote in favour of the acquisition.

14. What are the rights & responsibilities of the Investment Manager in IRB InvIT Fund?

Broadly:

- Appointment of Project Manager
- Propose and make distributions to unitholders

- Ensure reporting to the Trustee and unit holders
- Day to day management of the affairs of the Trust
- Identification of New acquisition opportunities

15. What fee is proposed to be paid to the Investment Manager & Project Manager by the Trust?

IM – 1% of net toll revenue, capped at Rs.250 Mn annually. This is a very low and basic fee to cover the administrative costs for performing its duties.

PM – An annual fee based on the O&M requirements will be payable to the Project Manager. The InvIT is free to hire a third party project manager as well in case another contractor is able to do the O&M at a price lower than the Project Manager. There is no fixed price contract which has been entered into with the PM.

16. What proportion of cash flows generated at the Trust level, will be distributed to the Unit-holders? How have the distributions been arrived at?

As per SEBI Regulations, the Trust is required to mandatorily distribute 90% of the net distributable cash flows generated at the Trust level. The distributions are broadly a combination of dividends received by the Trust from the Project SPVs, interest on loans infused by the Trust into the Project SPVs, repayment of principal amount on such loans. NDCF has been defined in detail in the Offer Document.

Distributions comprise of the following:

- Interest received on debt advanced by the Trust charged at a ROI of 13% is distributed to the unitholders as interest.
- Any PAT at the SPV level will be paid out as dividend to the Trust and in return distributed as dividend to the unit holders.
- Amortisation in the SPVs is upstreamed through repayment of loans, which are in turn distributed by way of buy back of units.

17. Is the ROFO / ROFR Agreement linked to the Sponsor's stake in the Trust, i.e. will the ROFO / ROFR agreement be terminated in case the Sponsor no longer holds any stake in the Trust?

No. The ROFO / ROFR Agreement will not be terminated even when the Sponsor no longer holds any stake in the Trust.

18. What would be the process for acquisition of a new asset by the Trust? What will be the kind of new acquisitions the Trust will look to make and how will they be funded? Timing of acquisitions?

- As and when a new asset is constructed and stabilised by the Sponsor, it will be pitched to the Trust who have the first right of refusal.
- The assets would be identified by the Trust, valued by an independent valuer and put for voting to the Trust.

- Assets can be funded by raising additional debt and surplus cash flows available after distribution.
- The final decision for the proposal would be approved by the Unit Holder in a meeting. (If the sponsor is an interested party, he cannot vote on the same).
- Timing of acquisitions would depend upon the opportunities and funding available.
- The Trust is also free to acquire assets from third parties if the same are available at a more attractive IRR.

19. Is there any impact seen due to the introduction of GST?

It would further enhance growth and lead to free flow of traffic between states as Octroi and state specific taxes which restricted flow of traffic would have been abolished.

20. Is there any lock-in proposed for units held by the Sponsor?

As per the InvIT Regulations, a sponsor is required to lock-in 15% of the total units (in value terms) in the InvIT for a period of 3 years from the date of listing of the InvIT. The Sponsor in IRB InvIT Fund proposes to lock-in 15% of the units for a period of 3 years.

21. Why do you propose to repay all the bank debt in the Trust? / Why do you pitch the Trust as an unlevered vehicle?

Due to the growth aspects which it brings and new acquisitions can be funded by raising debt and without any dilution.

22. How would it be ensured that IRB and the Trust do not compete with each other?

The InvIT being a listed one can invest a maximum of 10% of its value in under construction projects. We have proposed to transfer only fully completed projects so as to insulate investors from any construction risks. Hence the businesses will complement each other as IRB will build a road and transfer it post construction. The InvIT is not in the business of construction of assets and does not compete with the business of IRB.

23. What are the operational risks seen in the projects? Are there any risks perceived in terms of leakage of toll collection? Does Management see any major contingencies in these assets? Is there any loss of profit insurance available for BOT projects?

No further operational risks, projects have a track record of at least 2 years of tolling. All are NHAI projects and have a healthy traffic base with high growth potential. Revenue data on all projects is disclosed publically on a quarterly basis and investors are fully aware about the performance.

Additionally, NHAI has implemented real time updation of tolls collected at the toll plazas which makes the internal control and reporting processes transparent and robust, removing any scope for leakage.

No loss of profit insurance in India as yet.

24. Who will be the O&M contractor? Will there be a fixed price contract between the Project Manager and the Trust for O&M?

Modern Road Makers Pvt Ltd – the EPC arm of the business. No fixed price contract, the Trust is free to take quotes from the market annually and accordingly appoint the PM, subject to appointment regulations as devised by SEBI.

25. Are there any precedents for similar Trust structures?

The structure of an InvIT is similar to that of a REIT which is prevalent in most markets globally. The only major difference between the 2 is that the underlying assets in a REIT are real estate properties, whereas an InvIT has infrastructure assets as the underlying. A similar trust structure was recently listed in Thailand in the form of BTS Rail Fund, which included the Bangkok Sky Train system as the underlying asset of the business trust which was listed in Thai market.

26. How will the units be traded on the exchanges?

The units will be traded on the Equity Cash segment on the stock exchanges just like any other equity instrument is traded. Trends in pricing are likely to be linked to interest rates and yields of similar products.