

## **SEBI issues guidelines for rights issue by unlisted InvITs to raise funds**

Updated at November 4, 2020 20:12 IST

Markets regulator Sebi on Wednesday allowed unlisted Infrastructure Investment Trusts (InvITs) to raise funds through rights issue of their units.

Besides, the regulator has issued detailed guidelines for raising funds through this route. It has come out with conditions for issuance of units, guidelines on pricing as well as manner of issuance of units. In a circular, Sebi said minimum allotment to any investor will be Rs.1 crore. Also, issuer will have to disclose objects of the issue, related-party transactions, valuation, financial details, review of credit rating and grievance redressal mechanism in the letter of offer.

The issuance will be subject to several conditions, including obtaining in-principle approval of the stock exchanges for listing of units proposed to be issued. Also that none of the respective promoters or partners or directors of the sponsor or manager or trustee of the InvIT is a fugitive economic offender and should not have been barred from the securities market. According to Sebi, application form for the issue needs to be prepared by the investment manager and the manager would have to make arrangements for distribution of the application form along with letter of offer to all unit holders as on the record date. This should be done at least five days prior to the opening of the issue. With regard to pricing, Sebi said that the investment manager on behalf of the InvIT will decide the issue price before determining the record date and the issue price will be disclosed in the letter of offer.

The rights issue will be open within three months from the record date. It will be kept open for at least three working days but not more than 15 working days, as per the circular. With regard to the manner of issuance of units, Sebi said the units need to be allotted in the dematerialised form only. The rights entitlements will have to be credited to the demat account of the unit holders before the date of opening of the issue. On restriction on further capital issue, Sebi said an InvIT will not make any further issue of units in any manner during the period between the date of filing the letter of offer with Sebi and the allotment of the units offered through the letter of offer. An InvIT will have to file an allotment report with Sebi providing details of the allottees and allotment made within 15 days of the issue closing date. The Securities and Exchange Board of India (Sebi) first notified InvIT Regulations in 2014, allowing setting up and listing of such trusts which are popular in some advanced markets.

The objective of InvITs is to facilitate investment in the infrastructure sector. InvITs are like mutual funds in structure.