



3rd Annual Conference on

## **Bonds Financing in Infrastructure Sector**

February 27, 2018, ITC Maratha, Mumbai

3rd Annual Conference on

## **Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs)**

February 28, 2018, ITC Maratha, Mumbai

Organisers:



"Early Bird" discount ends on February 9, 2018

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# BONDS FINANCING IN INFRASTRUCTURE SECTOR

## Mission

- ❖ With funding from commercial banks drying up, infrastructure companies are increasingly turning towards alternative ways of raising money. In this context, the role of bond financing has gained significant importance in the past couple of years, although its contribution to infrastructure financing remains limited.
- ❖ To its credit, the Reserve Bank of India (RBI) has come up with a number of enabling policy measures to deepen the bond market.
- ❖ Foreign portfolio investors have been allowed to directly access Indian corporate bond and G-sec markets. The limit for partial credit enhancement has been increased from 20 per cent to 50 per cent of the bond issue size. Limitations have been imposed on the loan exposure that banks can provide to individual companies. ISIN maturities have been capped at 12 per year to improve the liquidity in the secondary market.
- ❖ Most recent issuances have been from the renewable energy, power transmission, telecom and road sectors. The average tenure for infrastructure specific issues has also been higher at 11-12 years than the overall private sector tenure of five to six years.
- ❖ Meanwhile, masala bonds have seen limited traction so far. Some of the key issuances were by the Indian Renewable Energy Development Agency, the National Highways Authority of India, NTPC Limited, Sembcorp, ReNew Power, etc. In order to stimulate activity, RBI removed masala bonds from the corporate bond investment limit in September 2017. These bonds are now being treated as external commercial borrowings, where a borrower just needs to seek RBI's approval to sell these securities.
- ❖ The market for green bonds looks promising. RBI is planning to come out with green bond guidelines and is preparing a framework for enabling the issuance of these bonds in large numbers. Several companies such as the Power Finance Corporation, the Rural Electrification Corporation, the Indian Railway Finance Corporation, Greenko, Azure Power and L&T Infrastructure Finance issued such bonds in 2017.
- ❖ While recent developments in the bond market bode well, long pending issues and challenges need to be resolved. One of the biggest challenges is credit rating requirement as cash-rich pension funds and insurers only invest in assets with a credit rating of AA or above. Since most infrastructure projects are implemented through special purpose vehicles (SPVs), the latter are unable to secure a credit rating of AA or higher at the pre-commissioning stage. Moreover, the level and complexity of stamp duty does not encourage the development of the bond market.
- ❖ Moreover, the corporate bond market is largely driven by private placements. Public issues are difficult, expensive and inflexible, with the issue process taking several months, as compared to other markets where the process takes a few days.
- ❖ **The mission of this conference is to highlight the recent trends and developments in the bond market, discuss new policy initiatives and examine the challenges and the way forward.**

## Target Audience

The conference is targeted at:

- Borrower firms
- Commercial banks
- International banks
- Non-banking financial companies
- Financial advisory firms
- Export credit agencies
- Sovereign wealth funds
- Legal consultants
- Management consultants
- Regulatory agencies
- Development institutions
- Credit rating firms
- Multilateral agencies
- Sector consultants
- Institutional investors (pension funds, insurance firms, etc.)
- Infrastructure public sector units
- Infrastructure developers
- Infrastructure fund managers, etc.

## Previous Participants

*The participants at our previous conferences include: Adani Transmission, Almus Risk Consulting, Axis Bank, Bangalore Airport, CARE Ratings, CRISIL Ratings, Dave & Girish & Co, Dhir & Dhir Associates, Empromc Solution, Essar Shipping, EXIM India, Fortum India, HDFC, HDFC Standard Life Insurance Company, Hero Future Energies, HMEL, HPCL, ICICI Bank, ICRA, IDBI Bank, IDFC Bank, IIFCL, IL&FS Energy Development, IL&FS Transportation Networks Limited, Indian Railway Finance Corporation, International Finance Corporation, J. Sagar Associates, Jakson Limited, Japan Bank for International Corporation, Jawaharlal Nehru Port Trust, KfW, Kotak Mahindra Bank, Krishnamurthy & Co., Link Legal India Law Services, L&T Hyderabad Metro, L&T Infra Finance, Mecklaj Financial, Mizuho Bank, Mumbai Metro, National Thermal Power Corporation, ONGC Videsh, Paschim Hydro, Pension Fund Regulatory and Development Authority, Paschim Hydro Energy, Power Finance Corporation, PTC India Financial Services, QuantArt Market Solutions, Reliance Mumbai Metro, Rural Electrification Corporation Limited, S&R Associates, SBI Capital Markets Limited, SREI Equipment Finance, Standard Chartered Bank, Tata Steel, Teri University, Unified Vision Capital, Vistra ITCL, VSL Growth Capital, Waaree Energies, Welspun Energy, YES Bank etc.*

## AGENDA/STRUCTURE

### TRENDS AND OUTLOOK

- ❖ What have been the key trends and recent developments in bond financing?
- ❖ How has the role of bond markets altered amidst the constrained flow of bank credit?
- ❖ What are the key issues? What is the outlook?

### REGULATIONS FOR CORPORATE/INFRASTRUCTURE BONDS

- ❖ What have been the recent regulatory changes for bond issues?
- ❖ What has been the impact of these regulations?
- ❖ What are the key issues (tax structure, stamp duty, legal, etc.)?
- ❖ How are these being addressed?

### MASALA BONDS: EXPERIENCE AND CHALLENGES

- ❖ What has been the experience so far with masala bonds?
- ❖ How is the decision to treat them as ECBs likely to impact the future issuances?
- ❖ What have been the key issues and challenges?

### FOCUS ON GREEN BONDS

- ❖ What has been the experience with green bonds so far?
- ❖ What are the terms and structures? What are the challenges?
- ❖ What is the outlook?

### CREDIT ENHANCEMENT AND IMPACT ON BOND RATINGS

- ❖ What has been the experience with credit enhancement schemes?
- ❖ What has been the impact on bond ratings?
- ❖ What are the key unaddressed issues?

### PRIVATE SECTOR EXPERIENCE

- ❖ What has been the experience of private infrastructure firms in the bond market? What have been the typical terms and structures?
- ❖ What has been the investor appetite for these bond issues?
- ❖ What are the key issues and challenges?

### PSU EXPERIENCE

- ❖ What has been the experience of private infrastructure firms in the bond market? What have been the typical terms and structures?
- ❖ What has been the investor appetite for these bond issues?
- ❖ What are the key issues and challenges?

### INFRASTRUCTURE BONDS: PERSPECTIVE OF BANKS AND NBFCs

- ❖ What has been the experience of banks/NBFCs with bonds so far?
- ❖ What are the key terms and structures of banks/NBFCs?
- ❖ What has been the utilisation experience?
- ❖ What are the issues and challenges?

### INVESTOR PERSPECTIVE

- ❖ What is the appetite for infrastructure bonds?
- ❖ What are the specific requirements of different investor groups?
- ❖ What are the key risks? What are the usual risk mitigation strategies?
- ❖ What is the future potential and outlook?



# REAL ESTATE INVESTMENT TRUSTS AND INFRASTRUCTURE INVESTMENT TRUSTS

## Mission

- ❖ Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) market has finally moved forward with two companies launching InvITs in 2017. REITs, on the other hand, are yet to take off.
- ❖ In May 2017, IRB InvIT Fund, sponsored by road developer IRB Infrastructure Developers Limited, became the first InvIT to be listed on the stock exchange and was oversubscribed by 8.57 times raising about Rs 50 billion. In the power sector, India Grid Trust, sponsored by Sterlite Power Grid Ventures Limited, raised Rs 22.5 billion.
- ❖ Recently, the Reliance Infrastructure InvIT Fund received the final nod from SEBI to float its IPO. Other companies such as IL&FS Transportation Limited, Larsen & Toubro and MEP Infrastructure Developers are also planning to list their assets under this instrument.
- ❖ While various regulatory amendments have been made in the past with the objective of making REITs and InvITs more attractive for raising capital, both the listed InvITs received lukewarm response from investors and are currently trading below their issue price.
- ❖ Some of the key amendments were allowing InvITs to raise funds through debt securities; exempting InvITs from the ambit of acceptance of deposit rules under the Companies (Acceptance of Deposits) Rules, 2014; permitting banks to invest up to 10 per cent of the unit capital of InvITs and granting approval to mutual funds for investing in these instruments.
- ❖ For REITs in particular, the challenges are many. Developers are still not able to distinguish fully between REITs and lease rental discounting (LRD) which is typically available in the range of 9-11 per cent for reputed developers. They therefore may like to defer full monetisation offered under a REIT structure until the expiry of the LRD. Moreover, REITs unlike InvITs, cannot raise funds on a private placement basis, and have to make a public offering. Taxation issues with respect to REITs are also not fully resolved, which continue to act as a deterrent for domestic investors.
- ❖ As things stand today, it is best for investors to adopt a wait and watch approach for these products, to better understand the risk-return profile, given the quasi equity nature of these instruments. It should be understood that both REITs/InvITs are attractive on a risk-adjusted basis and are better suited to patient capital.
- ❖ Going forward, investor participation is expected to increase once the maiden InvITs make their first dividend payments to the unit holders.
- ❖ Meanwhile, globally, these products have done well, especially in countries like Singapore. Indian InvITs are in fact more tax-efficient as compared to their global peers as they are exempt from dividend distribution tax on dividend payouts.
- ❖ It is expected that in the long run, REITs/InvITs will help real estate and infrastructure players to unlock value in the assets they own and release the much needed capital for further expansion.
- ❖ **The mission of this conference is to discuss the progress and policy amendments for these structures, examine the challenges being faced and discuss the future potential and prospects.**

## Target Audience

The conference is targeted at:

- Infrastructure developers
- Real estate fund managers
- Policymakers and regulators
- Tax advisory firms
- Real estate developers/managers
- Infrastructure fund managers
- Consultants (sector/ financial)
- Legal firms
- Investors (private/institutional)
- Investment banks
- Rating agencies
- Etc.

## Previous Participants

*The participants at our previous conferences include: Aditya Birla Finance, Axis Bank, Axis Trustee Services, AZB & Partners, Birla Sun Life Asset Management Company, BMR Advisors LLP, BMR House, Brookfield Advisory Services (India), BSR & Co. LLP, Chennai Metro Rail, CLSA India Private, Computer Age Management Services, Credit Analysis & Research, Dhruva Capital Advisors, Dolat Capital Market, DSK Legal Advocates & Solicitors, DSP Black Rock Investment Managers, Duff & Phelps India Private, Empron Solutions, Equirus Capital Private, Ernst & Young LLP, Greenint Power, HAS Advocates, Hirco Project Companies, ICICI Bank, ICICI Venture Funds Management Company, ICRA, IDBI Trusteeship Services, IDFC Bank, IL&FS Financial Services, IL&FS Maritime Infrastructure Company, IL&FS Township & Urban Assets, India Ratings & Research Private, Infrastructure Development Corporation, J.Sagar Associates, JMC Projects (India), JSA Advocate & Solicitors, Kalyani Township, Kotak Mahindra Bank, L&T Infrastructure Finance Co., Link Legal, Luthra & Luthra Law Offices, Madhu Developers, Merrill Lynch, Mumbai Metro One, NTPC, Orbit Law Services, PE Consulting, Phillip Capital (India) Private, Piramal Enterprises, Power Finance Corporation, Power Grid Corporation of India, Reliance Nippon Life Insurance Company, S&P Global Ratings, S&R Associates, SBI Capital Markets, SBICAP Trustee Company, Shapoor Pallonji Infrastructure Capital Company, Shardul Amarchand Mangaldas & Co., SNG & Partners, Sopariwala Exports, Tril Roads, Trust Investment Advisors, Vistra ITCL (India), Walton Street India, etc.*

## AGENDA/STRUCTURE

### INTRODUCTION TO REITs AND InvITs

- ❖ What is the role of REITs/ InvITs in the current scenario?
- ❖ What has been the experience so far?
- ❖ What are the key issues and challenges?

### LEGAL AND REGULATORY ASPECTS

- ❖ What are the key legal and regulatory aspects with respect to REITs and InvITs?
- ❖ What have been the recent amendments? What has been the response of key stakeholders?
- ❖ What are the unaddressed issues?
- ❖ What are the possible solutions and strategies for addressing the legal issues?

### DEVELOPERS' PERSPECTIVE: FOCUS ON INFRASTRUCTURE AND REAL ESTATE

- ❖ What is the current perspective of infrastructure/real estate developers for REITs/InvITs?
- ❖ What is their perspective on recent regulatory changes?
- ❖ What are their future plans?
- ❖ What are the key issues and challenges?

### INVESTOR EXPERIENCE AND CHALLENGES

- ❖ What is the perspective of investors on REITs and InvITs?
- ❖ What is the investor appetite for these structures after easing of norms?
- ❖ What are the key issues and challenges?

### TAXATION ISSUES

- ❖ What are the taxation aspects involved in the setting up of REITs and InvITs?
- ❖ What are the tax implications of the amended guidelines?
- ❖ What are some of the unaddressed issues?

### PRICING, VALUATION AND CREDIT ASSESSMENT

- ❖ What are the valuation/pricing aspects of setting up these structures?
- ❖ What are the key challenges?
- ❖ How are these structures expected to improve the credit risk profile of SPVs?

### GLOBAL EXPERIENCE

- ❖ What has been the global experience in launching these structures?
- ❖ What are the best practices?
- ❖ What lessons can India learn?



## Organisers

The conference is being organised by **India Infrastructure Publishing**, the leading provider of information on the infrastructure sectors through magazines, newsletters, reports and conferences. It publishes **Indian Infrastructure** (a magazine devoted to infrastructure policy and finance), as well as **Power Line**, **Renewable Watch**, **Smart Utilities**, **Gujarat Infrastructure** and **tele.net** magazines. The group also produces a series of reports on the infrastructure sectors including the **Infrastructure Finance and Investment Report**, **Investment Opportunities in Indian Infrastructure** and **Private Equity in Infrastructure**. It organises almost four dozen conferences in a year. Its recent conferences in finance have included: **Infrastructure Finance in India**, **Real Estate Investment Trusts** and **Infrastructure Investment Trusts**, **PPP in Infrastructure** and **Debt Restructuring: SDR & S4A**.

# REGISTRATION FORM

I would like to register for the "BONDS FINANCING IN INFRASTRUCTURE SECTOR" conference (February 27, 2018, ITC Maratha, Mumbai)

I would like to register for the "REITs AND InvITS" conference (February 28, 2018, ITC Maratha, Mumbai )

I would like to register for **both the conferences**

I would like to register for the conference. I am enclosing Rs \_\_\_\_\_ vide cheque/demand draft no. \_\_\_\_\_ drawn on \_\_\_\_\_ dated \_\_\_\_\_ Company GST No. \_\_\_\_\_ in favour of **India Infrastructure Publishing Pvt. Ltd.** payable at New Delhi.

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## REGISTRATION FEE

### BONDS FINANCING IN INFRASTRUCTURE SECTOR OR REAL ESTATE INVESTMENT TRUSTS AND INFRASTRUCTURE INVESTMENT TRUSTS

Delegates	Discounted fee (before February 9, 2018)				Fee without discount (after February 9, 2018)			
	INR	GST @18%	Total INR	USD	INR	GST @18%	Total INR	USD
One delegate	20,000	3,600	23,600	393	25,000	4,500	29,500	492
Two delegates	34,000	6,120	40,120	669	42,500	7,650	50,150	836
Three delegates	48,000	8,640	56,640	944	60,000	10,800	70,800	1,180

### BOTH CONFERENCES

Delegates	Discounted fee (before February 9, 2018)				Fee without discount (after February 9, 2018)			
	INR	GST @18%	Total INR	USD	INR	GST @18%	Total INR	USD
One delegate	32,000	5,760	37,760	629	40,000	7,200	47,200	787
Two delegates	54,400	9,792	64,192	1,069	68,000	12,240	80,240	1,337
Three delegates	76,800	13,824	90,624	1,510	96,000	17,280	113,280	1,888

### Terms and Conditions:

- There is a 20 per cent "early bird" discount for those registering before February 9, 2018.
- To register online, please log on to <http://indiainfrastructure.com/conf.html>
- Registration will be confirmed on receipt of the payment.

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