equaliFi ACADEMY

CPBM®

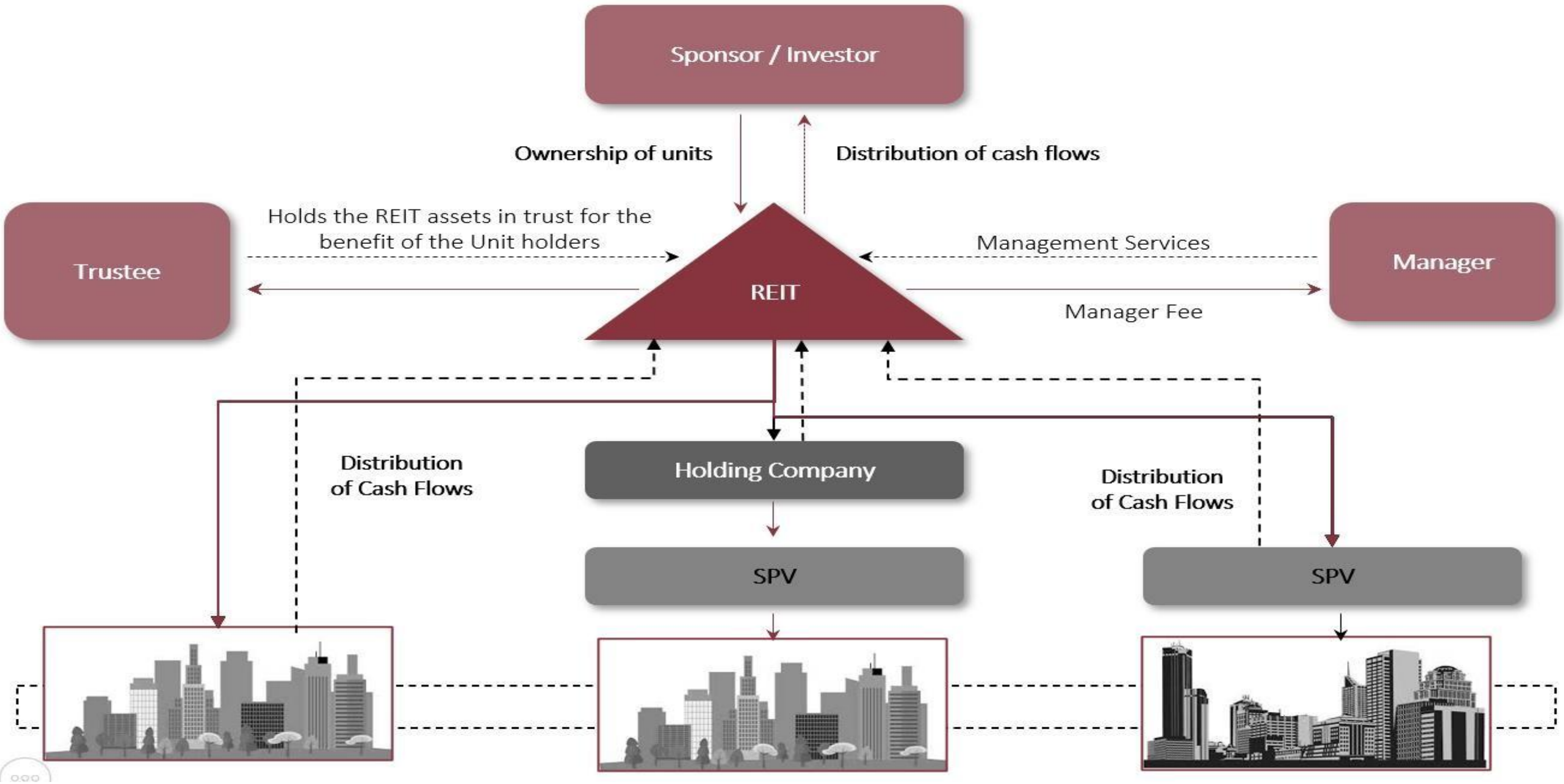
CERTIFIED PRIVATE BANKING MANAGER®

Introduction to REITS and InvITs

Presentation Order

- Structure of REITs and InvITs
- REITs
- InvITs
- Dollar denominated bonds

Structure of REIT & InvITs



Real Estate Investment Trust (REITs)

Process flow of Investments

Purchase of Properties from Pool of Money

Rental Income Earned *(Minus)* Deduction of Managerial Expenses

Income Distribution of via Dividend *(Plus)* Capital Appreciation

REITs – A Hybrid Product between Equity and Fixed Income

A Comparison

	REIT Units	Direct Investment in Real Estate	Real Estate Equity Shares
Investment Characteristics	Minimum lot size of 200 units Freely transferable listed securities Professionally managed No entry / exit load	₹ 25-200 crores investment Illiquid & non-transparent market Hassles in managing assets Transaction costs involved	Minimum lot size of 1 share Freely transferable listed securities Professionally managed No entry / exit load
Asset and Tenant Quality	Usually grade A assets in prime locations, primarily office Multiple marquee tenants across sectors	Usually strata interests in standalone buildings Usually exposed to single tenant risk	Usually grade A / B assets with a mix of office / residential / retail Multiple tenants across sectors
Return Profile	Returns driven by capital appreciation and regular cash distribution (90% mandatory)	Returns driven by a timely and profitable exit	Returns driven by capital appreciation and dividends (NOT mandatory)
Tax Efficiency	Dividends are tax exempt	Dividends are taxable	Dividends are taxable
Leverage Profile	Restricted to 49% Net debt / Total Enterprise Value	No restrictions	No restrictions
Governance Standard	High	High	Lower than REIT standards
Risk Profile	Lower than other commercial real estate vehicles	High	Higher than REIT profile

What Assets can a REIT own

equaliFi

Rental income

earning real estate projects

Commercial Sectors

Offices, hotels, retail, industrial, healthcare

NOT PERMITTED

Residential (houses, apartments)

Speculative landbank

Min. 80%

completed & income producing assets

Max. 20%

under-construction assets

Leverage Restrictions

Unitholder approval needed for Debt to Capitalization above 25%

Debt to Capitalization capped at 49%

Infrastructure Investment Trusts (InvITs)

Where can InvITs invest its funds

- At least 80% of the value of a public InvIT to be invested in '**completed and revenue-generating**' infrastructure projects.
- A maximum of 20% of the total value of InvITs can be from:
  - Under construction infrastructure projects
  - Listed or unlisted debt of the companies in the infrastructure sector (other than debt of Hold Co/SPV)
  - Equity of listed companies in India generating at least 80% of their income from the infrastructure sector
  - Government securities, money market instruments, liquid mutual funds or cash equivalents
- Privately placed InvIT can have any mix of under construction and completed infrastructure projects.

Indian USD Bonds

- Indian USD bonds are US dollar denominated bonds issued by Indian corporates outside of India.
- Issued by Indian companies that need US dollars to fund their operations and/or companies that would like to take advantage of low interest rates globally.
- Currently the Fed Funds Rate was 0.25%, which is significantly lower than the then Reserve Bank of India's Repo Rate of 4%.
- However, it is important to note that there is a currency risk, borne by the bond issuer, associated with such bonds. This currency risk can be minimized/eliminated if the bond issuer hedges against downside in the INR against the USD.

Thank You