

FAQ'S

Funding Options

Real Estate Investment Trusts (REITs)

1. What is the procedure of obtaining registration as a REIT from SEBI?

No person shall act as a REIT unless it is registered with the Board under SEBI (Real Estate Investment Trusts) Regulations 2014. An application for grant of certificate of registration as REIT shall be made, by the sponsor on behalf of the trust in Form A as specified in the Schedule I to these regulations and shall be accompanied by a non-refundable application fee of such amount and shall be payable in the manner as specified in Schedule II to these regulations. The Board on being satisfied that the applicant fulfils the requirements shall send intimation to the applicant and on receipt of the payment of registration fees as specified in Schedule II, grant certificate of registration in Form B under Schedule I. Please refer to section 3 and 6(1) of SEBI (Real Estate Investment Trusts) Regulations 2014 at link for more information.

2. What are the investment conditions for REITs?

For the investment conditions, one may refer to Chapter V of the REIT Regulations at http://www.sebi.gov.in/cms/sebi_data/attachdocs/1411722678653.pdf

3. What is the qualification criteria with regard to the Trustee in REITs?

(i) The trustee is registered with the Board under SEBI (Debenture Trustees) Regulations, 1993 and is not an associate of the sponsor(s) or manager; and (ii) The trustee has such wherewithal with respect to infrastructure, personnel, etc. to the satisfaction of the Board and in accordance with circulars or guidelines as may be specified by the Board; Please refer to section 4(f) of SEBI (Real Estate Investment Trusts) Regulations 2014 at link for more information

4. What is the qualification criteria with regard to the Managers in REITs?

The criteria is as follows: i) The manager has a net worth of not less than US\$ 1.53 mn if the manager is a body corporate or a company or net tangible assets of value not less than US\$ 1.53 mn in case

the manager is a LLP. ii) The manager or its associate has not less than five years experience in fund management or advisory services or property management in the real estate industry or in development of real estate. iii) The manager has not less than two key personnel who each have not less than five years experience in fund management or advisory services or property management in the real estate industry or in development of real estate. iv) The manager has not less than half, of its directors in the case of a company or of members of the governing Board in case of an LLP, as independent and not directors or members of the governing Board of another REIT. Please refer to section 4(e) of SEBI (Real Estate Investment Trusts) Regulations 2014 at link for more information.

5. What is the qualification criteria with regard to the Sponsor(s) in REITs?

The term 'sponsor group' has been defined to include: • The sponsor • Where the sponsor is a body corporate. • Entities/persons controlled by such body corporate. • Entities/persons controlling such body corporate. • Entities/persons controlled by entities/persons controlling such body corporate. • Where the sponsor is an individual. • Relatives of such individual. • Entities/controlled by such individual for each sponsor group, not less than one person shall be identified as the 'sponsor'. Sponsors and the sponsor group shall collectively hold. • A minimum of 25% of the total units on a post issue basis • A minimum of 15% of the outstanding units of the REIT at all times. • Minimum holding of 5% of outstanding units of REIT at all time. • Net worth of at least US\$ 15.38 mn on consolidated basis and US\$307,692 on individual basis. • Minimum experience of 5 years in real estate industry for each sponsor and where sponsor is a developer, at least 2 projects of sponsor should be completed. Please refer to section 4(d) and chapter IV of SEBI (Real Estate Investment Trusts) Regulations 2014 at link for more information.

6. What is meant by 'real estate' or 'Property'?

'Real estate' or 'property' means land and any permanently attached improvements to it, whether leasehold or freehold and includes buildings, sheds, garages, fences, fittings, fixtures, warehouses, car parks, etc. and any other assets incidental to the ownership of real estate but does not include mortgage. However, any asset falling under the purview of 'infrastructure' as defined vide Notification of Ministry of Finance dated October 07, 2013 including any amendments or additions made thereof shall not be considered as 'real estate' or 'property'. Notwithstanding the above, following captured within the above mentioned definition of infrastructure shall be considered under "real estate" or "property": i) Hotels, hospitals and convention centers, forming part of composite real estate projects, whether rent generating or income generating ii) Common infrastructure" for composite real estate projects, industrial parks and SEZ. Please refer to section 2(zi) of SEBI (Real Estate Investment Trusts) Regulations 2014 at link for more information.

7. What are Real Estate Investment Trusts (REITs)?

Real Estate investment Trusts or REITs are mutual fund like institutions that enable investments into the real estate sector by pooling small sums of money from multitude of individual investors for directly investing in real estate properties so as to return a portion of the income to unit holders of REITs, who pooled in the money. A REIT in India is allowed to invest mainly in completed and revenue generating assets and other approved investments. Further, REIT will have to distribute majority of its income among the unit holders

8. What are the guidelines regarding allocation in public issue?

(1) In an issue made through the book building process or otherwise, the allocation in the public issue shall be as follows: (a) not more than 75% to Institutional Investors (b) not less than 25% to other investors (2) Manager of the REIT in consultation with merchant banker(s) may allocate up to 60% of the portion available for allocation to Institutional Investors to anchor investors. Please refer to section 3 of SEBI Guidelines for public issue of units of REITs available at http://www.sebi.gov.in/cms/sebi_data/attachdocs/1482144526306.pdf for more information

9. What are the guidelines regarding opening of an issue and subscription period?

(1) An issue shall be opened after at least five working days from the date of filing the offer document with the Board. (2) The lead merchant banker shall submit a due diligence certificate as per Form C of Annexure I, immediately before the opening of the issue. (3) A public issue shall be kept open for at least three working days but not more than thirty days. However, in case the price band in a public issue made through the book building process is revised, the bidding (issue) period disclosed in the final offer document shall be extended for a minimum period of one working day, provided however that the total bidding period shall not exceed thirty days. Provided the price revision can be done maximum twice during the bidding period. (4) The manager on behalf of the REIT may issue advertisements for issue opening and issue closing Please refer to section 6 of http://www.sebi.gov.in/cms/sebi_data/attachdocs/1482144526306.pdf for more information

10. What are the requirements regarding disclosures under REIT regulations?

- A privately placed InvIT shall ensure that disclosures in the placement memorandum are in accordance with the sub-regulation (4) of regulation 15 and any circulars or guidelines issued by the

board in this regard. • A publicly offered InvIT shall ensure that the disclosures in the offer document are in accordance with the Schedule III and any circulars or guidelines issued by the board in this regard. • The investment manager of all InvITs shall submit an annual report to all unit holders electronically or by physical copies and to the designated stock exchanges within three months from the end of the financial year and half-yearly report to the designated stock exchange within 45 days from the end of the every half year ending 31st March and 30th September. Such annual and half yearly reports shall contain disclosures as specified under Schedule IV. • The investment manager shall disclose to the designated stock exchanges any information having bearing on the operation or performance of the InvIT as well as price sensitive information. Please refer to section 23 of SEBI (Infrastructure Investment Trusts) Regulations 2014 at link.

11. What are the conditions regarding issue and allotment of units in REITs?

- An InvIT shall not make an initial offer of its units unless, the InvIT is registered with the Board under these regulations: a) The value of assets held by InvIT is at least \$ 7.7 crores. b) The offer size is at least \$ 380 million. The slabs for minimum offer size and public float are as follows: 1) If post issue capital is less than \$ 25 crores minimum 25% of the total outstanding units of the InvIT or \$ 380 million, whichever is higher. 2) If post issue capital is equal to or more than \$ 250 million but less than \$ 620 million, minimum \$ 60 million. 3) If post issue capital is equal to more than \$ 60 million, minimum 10% of the total outstanding units of the InvIT. 4) Any units offered to sponsor or manager or their related parties or their associates shall not be counted towards units offered to public. 5) Public float in all cases shall be increased to a minimum of 25% within a period of three years from the date of listing. 6) In case of privately placed InvIT, minimum investment from an investor should be INR 10 million. However, if such InvIT invests or proposes to invest 80% or more of the value of InvIT assets, minimum investment from an investor shall be \$.4 million. 7) In case of a public InvIT, minimum subscription from an investor in initial and follow on offer to be \$ 15,410. 8) Maximum 10% of the amount raised by InvIT by public issue of units could be used for 'general purposes' as mentioned in the offer document. Issue related expenses shall not form part of general purpose. 9) Minimum subscription amount shall be 90% of the fresh issue size as specified in the offer document. 10) If the InvIT fails to make any offer of its units, whether by way of public issue or private placement, within three years from the date of registration with the Board, it shall surrender its certificate of registration to the Board and cease to operate as an InvIT. Please refer to Chapter IV of SEBI (Infrastructure Investment Trusts) Regulations 2014, link for more information.

12. What are the investment conditions for REITs?

For the investment conditions, one may refer to Chapter V of the REIT Regulations at the following

link.

