

Frequently Asked Questions on issuance of units by Real Estate Investment Trusts (“REITs”)

***Disclaimer:** These FAQs are prepared with a view to guide market participants on SEBI (Real Estate Investment Trusts) Regulations, 2014 (“REIT Regulations”). For full particulars of laws governing the Real Estate Investment Trusts (REITs), please refer to the Acts/Regulations/Guidelines/Circulars etc. appearing under the Legal Framework Section of SEBI website i.e. www.sebi.gov.in. Any queries about the REIT Regulations can be addressed to the Department of Debt and Hybrid Securities, SEBI.*

REGISTRATION

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

In order to obtain registration as REIT, the sponsor of the proposed REIT needs to apply for registration with SEBI. The application needs to be made on SEBI Intermediary Portal (SI Portal) at the web address <https://siportal.sebi.gov.in>.

2. What is the procedure of making an application on SI Portal?

An applicant for REIT registration needs to pay the application fees through the Self-Registration tab in the SI Portal. User manual for the same is available on home page of the SI Portal. Once the payment is confirmed, the applicant will receive a login id and password. Using the same, the applicant can login to the registration tab and make an application for registration.

3. What are the information/documents required for registration?

The applicant needs to submit the information required as per Schedule II of the REIT Regulations. In addition, the applicant is required to submit necessary documents as prescribed under Schedule II of the REIT Regulations. SEBI may require the applicant to furnish clarification or information in support of the application. Such documents also need to be submitted by the applicant.

4. What are the main requirements for registration as a REIT?

The eligibility requirements for REITs and parties to the REITs are provided under REIT Regulations. The REIT and parties to the REIT are required to satisfy these criteria at all times. Some of the major eligibility conditions are as follows:

- (a) The trust deed is duly registered in India under the provisions of the Registration Act, 1908
- (b) The trust deed has its main objective as undertaking activity of REIT in accordance with REIT Regulations
- (c) The responsibilities of the trustee, as prescribed under REIT Regulations, have been included in the trust deed
- (d) Sponsor, Manager and Trustee have been designated and are separate entities
- (e) No unit holder enjoys superior rights over another unit holder and there is only a single class of units
- (f) The parties to the REIT are fit and proper persons

Requirements for Trustee

- (a) It is registered with SEBI as a Debenture Trustee
- (b) It is not an associate of the sponsor or the Manager

Requirements for Sponsor(s)

- (a) Collective net worth of not less than INR 100 crores, with each sponsor having a net-worth of INR 20 crores
- (b) Sponsor or its associate has not less than five years' experience in development of real estate or fund management in the real estate industry or if the sponsor is a developer it must have completed at least two projects

Requirements for Manager

- (a) It has a net worth/net-tangible assets of not less than INR 10 crores
- (b) It (or its associate) has not less than five years' experience in fund management or advisory services or property management in real estate industry or development of real estate
- (c) It has not less than two key personnel with at least 5 years' experience in fund management or advisory services or property management in the real estate industry or in development of real estate
- (d) Not less than half of its directors/members of the governing board are independent directors
- (e) It has entered into an investment management agreement with the trustee

5. Is there any application fee to be paid by the REIT?

At the time of making application on SI Portal, an application fee of INR 1 lakh is required to be paid by the applicant.

6. Is there any registration fee to be paid by the REIT?

On being satisfied that the applicant fulfils the requirements specified for registration of REIT, an intimation is sent by SEBI to the applicant through SI Portal. On receipt of the intimation the applicant is required to pay a registration fee of INR 10 lakhs for grant of registration. The registration fee charged is one-time fee only and there is no renewal fee.

7. Is there a need to appoint a compliance officer?

REIT Regulations require a compliance officer to be appointed by the REIT. The details of the compliance officer are required to be provided at the time of making the application for registration.

8. How long does the Certificate of Registration remain valid?

A registered REIT is required to make initial offer of its units within three years from the date of registration failing which it is required to surrender its certificate of registration. If an initial offer is made within the prescribed timelines, the registration is valid till it is surrendered by the REIT or revoked by SEBI.

9. Are physical documents that have been uploaded as scanned copies on SI Portal required to be submitted to SEBI?

Processing of the application for registration starts based on the scanned copies of documents uploaded with the application in SI portal. However, the applicant also needs to send physical documents to SEBI and ensure that all relevant documents on the online application for registration in the SI Portal have been uploaded.

10. If an applicant does not wish to pursue the registration application, what is the procedure for withdrawal?

The applicant can apply for withdrawal of application for registration on SI Portal. Post necessary approvals, the same shall be permitted through SI Portal.

11. Where can an applicant check the status of its application?

The applicant can check the status of his application by logging on the SI Portal through its valid credentials.

INITIAL OFFER OF UNITS

12. What is an “initial offer” of units by an REIT?

An “initial offer” means the first offer of units of an REIT to the public for subscription and includes an offer for sale of REIT units by an existing unit holder to the public.

13. Which conditions must be satisfied for initial offer of units by a REIT?

A REIT is permitted to raise funds through an initial offer of units provided that –

- (a) The REIT is registered with SEBI
- (b) the value of REIT assets is not less than INR 500 crores
- (c) the size of the initial offer is not less than INR 250 crores

14. Who can participate in an initial offer of units by an REIT?

All categories of investors are permitted to participate in an initial public offer of units by a REIT.

15. What is a draft offer document?

The term "draft offer document" refers to the draft of the offer document filed with SEBI and designated stock exchange(s).

16. What is an offer document?

The term "offer document" refers to document(s) described or issued as an offer document including any notice, circular, advertisement or other document inviting offers through a public issue for the subscription or purchase of units of the REIT and includes initial offer document, follow-on offer document, letter of offer in case of rights issue and any other document as may be specified by SEBI.

Offer document refers to the version of the offer document filed with SEBI and the stock exchanges incorporating all updations except the price / price band.

17. What is final offer document?

The term “final offer document” refers to the version of the offer document filed with SEBI and designated stock exchanges including details with respect to pricing, allotment etc. upon completion of the issue.

18. Where does the REIT file the draft offer document, offer document and final offer document?

The draft offer document, offer document and final offer document are required to be filed with SEBI and designated stock exchange(s).

19. Whether there is any requirement to seek public comments on the draft offer document?

Yes, the draft offer document filed with SEBI and designated stock exchange shall be made public by hosting the same on the websites of SEBI, designated stock exchange(s), the REIT, and merchant bankers associated with the issue for seeking public comments for a period of at least 21 days from the date of filing the draft offer document with such exchange.

20. Whether there is any requirement to seek in-principle approval from stock exchange?

Yes, the issuer i.e. REIT is required to make an application to one or more recognized stock exchange for in-principle approval for listing of units issued through the proposed initial public offer.

21. Please provide the list of intermediaries to be appointed for a public issue?

The Manager, on behalf of the REIT, shall appoint one or more merchant bankers, which are registered with SEBI, at least one of whom shall be a lead merchant banker. The issuer is also required to appoint other intermediaries in consultation with the lead merchant banker, to carry out the obligations relating to the issue.

22. What disclosures are required to be made in the offer documents?

The offer documents shall include all information specified under Schedule III of REIT Regulations.

23. What is the time taken to issue observation by SEBI post filing of offer document?

SEBI may specify changes or issue observations, if any, on the draft offer document the later of the following:

- (a) thirty days from the later of the following dates
 - i. the date of receipt of the draft offer document by SEBI; or
 - ii. the date of receipt of clarification or information from any regulator or agency, where SEBI has sought any clarification or information from such regulator or agency; or
 - iii. the date of receipt of a copy of in-principle approval letter issued by the recognised stock exchanges;
- (b) twenty one working days from the date of receipt of satisfactory reply from the lead merchant bankers, where SEBI has sought any clarification or additional information from them;

24. What should be done on either issuance of observations by SEBI or on expiry of the period specified above?

The lead manager shall submit the following documents to SEBI:

- (a) If SEBI has issued observations or suggested any changes then a statement has to be made certifying that all changes, suggestion and observations made by SEBI has been incorporated in the offer document.
- (b) Due diligence certificate in the format specified under Form B of Annexure I to SEBI Circular No. CIR/IMD/DF/136/2016 dated December 19, 2016.

25. What are the provisions regarding Advertisements relating to the public issue of units by an REIT?

After filing the offer document with SEBI, the merchant banker is required to, make a pre-issue advertisement on the website of the sponsor, investment manager and stock exchanges. The merchant banker may also issue such pre-issue advertisement in any newspaper and on the website of the REIT, if applicable.

26. Are there any reservations in allotment of units for different categories of investors?

Yes, the allocation in the public issue of units is made in the following manner:

- (a) Not more than 75% to institutional investors
- (b) Not less than 25% to other investors

In case of under-subscription in any category, the unsubscribed portion can be allotted to applicants in the other category.

27. How can an investor make an application for subscription in initial public offer?

An eligible investor may apply for an initial offer of units through the application form available on the websites of designated Stock Exchange(s) during the period for which the public issue is kept open. Such application and bidding (other than for Anchor Investors) is required to be made through the ASBA process only.

28. What is the time period for listing after allotment of units in an initial public offer?

The allotted units are required to be listed within 6 working days from the issue closing date.

29. Will SEBI answers my queries pertaining to primary market?

The “Contact us” section on the SEBI website gives details of the contact name, address, phone number, etc. for any investor to communicate his/her complaints or for assistance. However, if the queries are legal in nature, they may be referred to SEBI under the SEBI (Informal Guidance) Scheme, 2003 as available at <http://www.sebi.gov.in/sebiweb/home/list/1/5/0/0/Guidelines>.

30. How can investors redress their complaints against REITs issuing units or any other intermediaries involved in the allotment of REIT units?

Investors should first approach the concerned issuers/REITs with their complaint. If the complaint remains unresolved, the investors may approach SEBI for facilitating redressal of their complaints. SEBI has a web based centralized grievance redress system called SEBI Complaint Redress System (SCORES) available at <http://scores.gov.in> where investors can lodge their complaints against REITs or any other intermediaries involved in the allotment of REIT units.