



भारतीय प्रतिभूति और विनिमय बोर्ड  
Securities and Exchange Board of India

## **CONSULTATION PAPER**

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DEPARTMENT OF DEBT AND HYBRID SECURITIES – POD II

### **CONSULTATION PAPER ON EASE OF DOING BUSINESS** **FOR SMALL AND MEDIUM REITs (SM REITs)**

OCTOBER 2024



भारतीय प्रतिभूति और विनिमय बोर्ड  
Securities and Exchange Board of India

## Timeline to Respond

Comments on the  
Consultation paper (CP) may  
be sent by November 13, 2024

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1. **OBJECTIVE**

- 1.1. The objective of this consultation paper is to seek comments / views / suggestions from the public on proposals related to review of regulatory framework for Small and Medium REITs (“SM REITs”).

## 2. **BACKGROUND**

- 2.1. SEBI (Real Estate Investment Trusts) Regulations, 2014 (“REIT Regulations”) were amended on March 08, 2024 to facilitate SM REITs by introducing a new framework for providing due regulatory oversight, uniform disclosures and investor grievance redressal mechanism. Similar to REITs, SM REITs are required to be set up as a Trust under the Indian Trust Act, 1882 and it must be registered under the REIT Regulations.
- 2.2. The salient features of SM REITs include: (a) ability to create separate scheme(s) for owning of real estate assets through Special Purpose Vehicle(s) (“SPVs”) constituted as companies in the form of wholly owned subsidiaries of the scheme of SM REIT, and (b) hold asset value of at least Rs. 50 crores (vis-à-vis minimum asset value of Rs. 500 crores for REITs) with an aim to tap the immense potential in the real estate sector and to further develop the real estate market. This allows the investors with the choice to invest in a scheme of SM REIT which holds real estate assets suiting the investor’s investment preference and criteria.
- 2.3. SM REITs have parties such as Trustee and Investment Manager. The trustee is required to be a SEBI registered Debenture Trustee who is not an associate of the Investment Manager. The Trustee has an overseeing role in the activity of the SM REIT and the Investment Manager manages the assets and investment of the SM REIT and undertakes operational activities of the SM REIT. The Investment Manager is required to be a company incorporated in India and at least half of the directors in the board of directors of the Investment Manager are required to be independent directors.
- 2.4. The units of the scheme of SM REIT are mandatorily required to be listed on recognized stock exchange in India which aims to provide exit to investors, when desired. To provide a stable stream of cash flows to the investors, a scheme of the SM REIT is required to invest at least 95% of the value of its assets in completed and revenue generating properties and

distribute at least 95% of the net distributable cash flows generated at the asset / SPV level to the investors on a quarterly basis. SM REITs are required to conduct a full comprehensive valuation of the assets of each scheme on an annual basis. Also, as risk mitigation measures, the regulatory framework for SM REIT specifies minimum net worth and experience requirement for the Investment Manager, no investment by a scheme of SM REIT in under-construction assets, no related party transactions, minimum price of the units of a scheme of SM REIT of Rs. 10 lakhs and unitholder approval requirement for important matters.

2.5. Pursuant to the notification of regulatory framework for SM REIT, various workshops with prospective SM REIT applicants were held *inter-alia* to sensitize the industry about the recently introduced regulations. During the course of these workshops, feedback have been received on various aspects concerning the framework for SM REITs. Based on inputs received from market participants in such workshops, this consultation paper contains proposals on the following three matters:

2.5.1. Standardizing the disclosures in scheme offer document

2.5.2. Public issue process for scheme of SM REIT

2.5.3. Alignment of provisions for SM REITs vis-à-vis REITs

2.6. With respect to items mentioned at 2.5.1. and 2.5.2. above, a Working Group on SM REIT was formed by SEBI *inter-alia* to examine the disclosure requirements in the offer document applicable for REITs in case of initial offer vis-à-vis a mutual fund scheme and advise on the format of scheme offer document for initial offer by a scheme of SM REIT and to examine the guidelines for public issue of units by a REIT and advise changes required to be made therein for initial offer by a scheme of SM REIT in light of the distinct features of a SM REIT vis-à-vis REIT. The working group submitted its recommendations in its report and the same was placed for deliberation in the HySAC meeting.

2.7. In order to promote ease of doing business and provide clarity to the market participants on various aspects, the detailed proposals on the aforementioned items are mentioned in paragraphs 3 to 5 of this consultation paper. The proposals made in the consultation paper are based on the recommendations of the Working Group and the Hybrid Securities Advisory Committee (“HySAC”).

### 3. STANDARDIZING THE DISCLOSURES IN SCHEME OFFER DOCUMENT

#### 3.1. BACKGROUND:

3.1.1. REIT Regulations require that the investment manager shall, through a merchant banker, file a draft scheme offer document with SEBI and stock exchanges for coming out with an initial offer for a scheme of SM REIT. It has been represented that since SM REITs are permitted to launch multiple schemes, a structure of scheme offer document similar to Mutual Funds may be considered.

3.1.2. The Working Group on SM REIT was formed *inter-alia* to examine the disclosure requirements in the offer document applicable for REITs in case of initial offer vis-à-vis a mutual fund scheme and advise on the format of scheme offer document for initial offer by a scheme of SM REIT.

#### 3.2. EXTANT REGULATORY PROVISION:

3.2.1. Regulation 26R(2) of the REIT Regulations requires as under:

*“The investment manager shall, through a merchant banker, file the draft scheme offer document with the Board, along with fees specified in Schedule IIA and with the designated stock exchange.”*

3.2.2. Regulation 26S(1) of the REIT Regulations requires as under:

*“The scheme offer document shall make all disclosures as specified in Schedule III and any other disclosures as specified by the Board from time to time.”*

### **3.3. PROPOSAL**

3.3.1. Based on the recommendations of the Working Group and the HySAC, the following is proposed:

#### **3.3.1.1. Bifurcation of Scheme Offer Document**

The filing of scheme offer document shall be made in two parts:

- Key Information of the Trust (KIT)
- Key Information of the Scheme (KIS)

KIT shall contain details related to the SM REIT, Investment Manager, Trustee and trust level details. KIS shall be a scheme-specific document and shall capture information related to particular scheme of the SM REIT and asset(s) specific details.

#### **3.3.1.2. Processing of KIT and KIS by SEBI**

A single draft KIT (common for all schemes) shall be filed with SEBI along with draft KIS together at the time of initial offer of the first scheme of SM REIT. For the first scheme offer document, SEBI shall issue observations on the draft KIT as well as on the draft KIS.

Thereafter, for subsequent scheme offer documents, the Investment Manager of SM REIT shall file updated KIT, only for records with SEBI along with draft KIS of subsequent schemes. For subsequent scheme offer documents, SEBI shall issue observations only on the subsequent draft KIS and not on the updated KIT.

#### **3.3.1.3. Updation of KIT**

All material changes (including litigation and regulatory actions) in the KIT shall be made on an ongoing basis by way of an addendum which shall be disclosed on the website of SM REIT, by the investment manager. The addendum shall also be intimated to SEBI and the stock exchange(s) within 7 days from the date of occurrence of the material event, by the investment manager.



Further, the investment manager shall ensure that KIT is updated every 6 months and updated KIT is disclosed on the website of SM REIT within 30 days from the end of half year. The investment manager shall file the updated KIT with SEBI and Stock Exchanges for records within 30 days from the end of half year.

#### 3.3.1.4. Disclosures in KIT

KIT shall contain the following disclosures:

Sr. No.	Disclosure Requirement	Details to be disclosed
1.	<b>Introduction</b>	a. Name, registered office address, correspondence address, contact person (s), contact details and email id of the SM REIT; b. Place and date of creation of the SM REIT; c. Registration number and date of registration of the SM REIT with SEBI.
2.	<b>Details of parties to the SM REIT</b>	
	a. Investment Manager	a. Background of the investment manager including past experience in real estate industry / real estate fund management;  In case investment manager is unable to meet the above requirement, details of key managerial personnel who possess not less than five years' experience in real estate industry or real estate fund management; b. Brief functions, duties and responsibilities of the investment manager; c. Brief profiles of the directors of the investment manager and units held by them in the SM REIT, if any.
	b. Trustee	a. Background of the trustee including details of registration with SEBI; b. Names and profiles of the Directors; c. Functions, duties and responsibilities of the Trustee.
3.	<b>Brief background of the SM REIT</b>	a. Glossary of terms/abbreviations (relevant information which is present in the KIT shall be included here); b. Structure and description of the SM REIT (this section shall include details with respect to the

<b>Sr. No.</b>	<b>Disclosure Requirement</b>	<b>Details to be disclosed</b>
		<p>structure of the SM REIT and various scheme(s) which it may have from time to time);</p> <p>c. Details with respect to the registration certificate granted by SEBI to the SM REIT;</p> <p>d. Information with respect to the eligibility criteria of the parties to the SM REIT (as required under Regulation 26J of the REIT Regulations);</p> <p>e. Eligibility details in relation to the issuer (as required under Regulation 26P(1) of the REIT Regulations);</p> <p>f. General principles related to valuation of each asset and general distribution mechanism followed under each scheme of the SM REIT;</p> <p>g. Information with respect to the investor grievance redresses mechanism setup by the SM REIT.</p>
4.	<b>Migration of existing persons, entities or structures</b>	Migration plan along with details of existing persons, entities or structures as required in Regulation 26N of the REIT Regulations.
5.	<b>Terms of the Offer</b>	<p>Information as may be required for the investor to make an informed decision (only such information will be included in this portion which are relevant to the SM REIT).</p> <p>Further, eligibility details with respect to the offer made by the SM REIT would be included in this section, as required under Regulation 26P(2) of the REIT Regulations, along with details related to minimum public unitholding.</p>
6.	<b>Market overview</b>	General overview of the SM REIT with respect to the macro market which is being targeted by the SM REIT.
7.	<b>Business details and Strategy</b>	<p>a. Description of investment strategy (the relevant strategy related to the macro markets which are targeted by the SM REIT) including category, type, location, allocation to each type, , etc., along with the investment conditions specified under Regulation 26T of the REIT Regulations.</p> <p>b. Capital and risk management strategy.</p>
	b. Leverage	Details with respect to the borrowing policy of the SM REIT

Sr. No.	Disclosure Requirement	Details to be disclosed
8.	<b>Financials</b>	Summary of the financial statements of the SM REIT and investment manager for the previous 3 financial years, as applicable
9.	<b>Rights of the Unit Holders</b>	<p>a. <b>Rights of the Unitholders</b> It shall include such rights of the unitholders which are related to the functioning of the SM REIT.</p> <p><i>For example, the voting rights of all the unitholders of the SM REIT which are linked to the change in the Investment Manager, change in the investment strategy of the SM REIT, etc.</i></p> <p>b. Proposed disclosures to the unit holders either directly or by public dissemination on the Designated Stock Exchanges website (which pertain to all the unitholders of the SM REIT).</p> <p>c. Frequency and manner of meetings of unit holders (for those matters which pertain to all the unitholders of the SM REIT).</p>
10.	<b>Title disclosures, litigations and regulatory actions</b>	Brief description of the material litigations and regulatory actions which are pending, against the SM REIT, investment manager or any of its associates and the trustee, if any.
11.	<b>Risk Factors pertaining to the SM REIT</b>	
12.	<b>Brief details on taxation and regulatory aspects related to the SM REIT to enable the investors to make an informed decision</b>	
13.	<b>Other general information</b>	<p>a. Key terms of material agreements relating to the SM REIT including but not limited to the investment management agreement, trust deed, tripartite agreements etc.</p> <p>b. Policy of appointment of auditor, information with respect to the auditor and auditing standards to be followed.</p> <p>c. Policy and timelines for redresses of complaints by the investors</p>
14.	<b>Supporting Documents</b>	<p>a. Auditors report</p> <p>b. Any other such report</p>
15.	<b>General Information regarding offer procedure</b>	<p>a. Offer Procedure - Book Building Process or Fixed Price Process</p> <p>b. Information with respect to Bid cum Application Form</p> <p>c. Information with respect to who can bid in the offer</p> <p>d. Conditions for Bids by FPIs/ MFs/ Insurance Companies, VCFs, AIFs, Banking Companies, PFs etc.</p>

Sr. No.	Disclosure Requirement	Details to be disclosed
		e. Method and process of Bidding f. Payment Mechanism for ASBA Bidders g. Grounds for Technical Rejections h. Electronic Registration of Bids i. Build-up of the book and revision of Bid j. Designated Date and Allotment of Units k. Mode of Refunds l. Such other information as considered appropriate
16.	<b>Process for Allotment and Listing</b>	
17.	<b>Such other information as is material and appropriate to enable the investors to make an informed decision</b>	Relevant confirmations with respect to the disclosures included in the KIT shall be included here, as required under Regulation 26(S) (1), (2), (3) and (4) of the REIT Regulations.
18.	<b>Declarations which shall be signed by the board of directors of the investment manager</b>	

### 3.3.1.5. Disclosures in KIS

KIS shall contain the following disclosures:

Sr. No.	Disclosure Requirement	Details to be disclosed
1.	<b>Introduction</b>	Cross reference to the KIT shall be included here.
2.	<b>Brief background of the scheme of SM REIT</b>	a. Glossary of terms/abbreviations (relevant information which is present in the KIS would be included here); b. Description of the Scheme; c. Details of Property Management / Lease Management /any other arrangements pertaining to underlying SM REIT assets (disclosure shall be limited to only the assets under the specific scheme), entered into with various parties prior to the offer;

<b>Sr. No.</b>	<b>Disclosure Requirement</b>	<b>Details to be disclosed</b>
		<p>d. Holding structure of the scheme of SM REIT prior to the offer including breakup of the units held by the investment manager and any other unit holder holding greater than 5% of the units of the scheme of SM REIT, along with details of any other party to the SM REIT under the holding structure;</p> <p>e. Proposed holding structure by the aforesaid parties post-offer;</p> <p>f. Fee and expenses charged/chargeable to the scheme of SM REIT by various parties including fees charged by the investment manager, valuer, auditor, trustees and any other third party and shall also include any set-up costs for the scheme;</p> <p>g. Total expense ratio;</p> <p>h. Details with respect to merchant banker(s) appointed for the scheme;</p> <p>i. Confirmation with respect to the lock-in requirements, along with details of units which would be locked-in by the investment manager from the date of listing of units (as required in Regulation 26ZB of the REIT Regulations);</p>
3.	<b>Terms of the Offer</b>	<p>a. Terms of the offer for the scheme including number of units, price, offer opening date, offer closing date, terms and conditions and any other information as may be required for the investor to make an informed decision;</p> <p>b. Policy of distribution including method of calculation and the frequency for distribution for the scheme;</p> <p>c. Listing of units:</p> <p>(i) Names of the Stock Exchanges where units are proposed to be listed;</p> <p>(ii) Timelines for listing;</p> <p>(iii) Declaration that prior in-principle approval has been obtained from the Stock Exchanges;</p>

Sr. No.	Disclosure Requirement	Details to be disclosed
		d. Eligibility details with respect to the offer made by the scheme of SM REIT shall be included in this section (as required under Regulation 26P(2) of the REIT Regulations).
4.	<b>Market overview</b>	General overview of the scheme and the micro market where the scheme is targeting its investments (basis location and type of asset).
5.	<b>Description of the assets under the scheme of SM REIT</b>	<p>a. Description of real estate assets of the scheme of SM REIT including the general character and competitive conditions of all the properties held or intended to be acquired by the scheme of SM REIT and pictures of the properties.</p> <p>b. Key statistics of the properties (type of property, area, occupancy, location, lease expiry (if any), etc.)</p> <p>c. Special features of the properties, if any</p> <p>d. Details of the SPVs through which the properties are held / proposed to be held including holding pattern, holding of scheme of SM REIT in the SPV, rights of scheme of SM REIT in the SPV, etc. Further, disclosures pertaining to the scheme of SM REIT's control over the relevant SPVs, along with the exclusive rights in the SPV shall be given.</p> <p>e. Confirmation of adequate Insurance by the Trustee</p> <p>f. For leased out properties, the following additional disclosures shall be made (property-wise):</p> <p>(i) Total number of tenants;</p> <p>(ii) Rental income as a percentage of total gross income in aggregate for the top 10 tenants;</p> <p>(iii) Lease-maturity profile, in terms of the percentage of total gross rental income, for each of the next five years;</p> <p>(iv) a summary of the terms of any sub-leases or tenancies, including repair</p>

Sr. No.	Disclosure Requirement	Details to be disclosed
		<p>obligation, granted to the tenants of the property;</p> <p>(v) the existing monthly rental income before tax from the property which is wholly or partly let, together with the amount and a description of any outgoings or disbursements from the rent;</p> <p>(vi) the estimated current monthly market rental obtainable, on the basis that the property was available to let on the effective date as at which the property was valued;</p> <p>(vii) a summary of any rent review provisions;</p> <p>(viii) Level of furnishing of the properties including whether the properties are cold-shell properties or fully furnished;</p> <p>(ix) Comparable lease rental income of similar properties in the vicinity / adjoining areas;</p> <p>(x) Whether any clauses exist in rental agreements providing high grace period in lieu of higher rental values. If yes, details shall be provided.</p>
6.	<b>Business details and Strategy</b>	
	a. Investment Strategy	<p>a. Description of investment strategy (the relevant strategy would be related to the micro markets which are being targeted by the scheme) including category, type, location, allocation to each type, , etc.;</p> <p>b. Description of ROFR with respect to any properties under the scheme;</p> <p>c. Capital and risk management strategy of the scheme.</p>
	b. Use of proceeds	<p>a. Purpose of the offer;</p> <p>b. Offer expenses.</p>
	c. Leverage	a. Capital structure of the assets under the scheme including any borrowings / deferred



<b>Sr. No.</b>	<b>Disclosure Requirement</b>	<b>Details to be disclosed</b>
		<p>payments with respect to the such assets prior to the offer and post-offer;</p> <p>b. Borrowing policy of the assets under the scheme;</p> <p>c. State whether the scheme is with leverage or without leverage in accordance with Regulation 26U(2) of the REIT Regulations. In case of a scheme with no leverage, the investment manager shall submit an undertaking that the particular scheme shall not utilize any leverage in future.</p>
7.	<b>Valuation</b>	<p>a. Summary of valuation as per the full valuation report;</p> <p>b. Valuation methodology;</p> <p>c. Frequency of valuation and declaration of NAV.</p>
8.	<b>Financials</b>	<p>a. If discrete financial statements are available for the assets for previous 3 years and stub period (if applicable), then historical financial statements shall be disclosed for last three years and stub period (if applicable) or for such shorter period for which the financial statements are available.</p> <p>b. In case more than one SPV is being acquired under a scheme and discrete financial statements are available for the SPVs, then combined financial statements shall also be disclosed for last three years and stub period (if applicable) or for such shorter period for which the financial statements are available.</p> <p>c. If discrete financial statements as per above are not available for past periods, the investment manager shall disclose specific reasons for non-availability of such information;</p> <p>d. In case of non-availability of financial statements, total rental income from the properties (property-wise) under the scheme for the previous three years and stub period (if applicable) shall be disclosed;</p> <p>e. Guidance on preparation and audit of historical financial information (including preparation /</p>



Sr. No.	Disclosure Requirement	Details to be disclosed
		<p>audit of combined financial statements) as applicable for REITs shall be applicable <i>mutatis mutandis</i> for scheme of SM REIT</p> <p>f. Projections of income of the scheme over next three years beginning the current financial year certified by the investment manager and the auditor with respect to calculation and assumption;</p> <p>g. Contingent Liabilities as on the date of KIS;</p>
9.	<b>Rights of the Unit Holders</b>	<p>a. <u>Rights of the Unitholders</u> It shall include such rights of the unitholders which are related to the matters pertaining to the relevant scheme. Further, it shall include voting rights of the unitholders where only the relevant unitholders under the scheme would have the right to vote;</p> <p>b. Proposed disclosures to the unit holders pertaining to the scheme, either directly or by public dissemination on the Designated Stock Exchanges website;</p> <p>c. Frequency and manner of meetings of unit holders (for those matters which pertain to the unitholders of the relevant scheme).</p>
10.	<b>Title disclosures, litigations and regulatory actions</b>	<p>a. Title disclosure of the properties including any material litigations pertaining to the properties (details of such litigation shall be updated as on date of the KIS);</p> <p>b. Brief description of the material litigations and regulatory actions which are pending against the valuer of the scheme of SM REIT, if any.</p>
11.	<b>Risk Factors</b>	Risk factors (internal and external) which pertain to the schemes' assets / properties, their location or the micro market in which the scheme operates.
12.	<b>Brief details on taxation and regulatory aspects to enable the investors to make an informed decision</b>	In the event where an asset under a scheme is governed under a specific tax and regulatory regime, then relevant disclosures related to such aspects shall be included in this section and / or a cross reference to the KIT shall be included in this section of the KIS.
13.	<b>Other general information</b>	Key terms of material agreements relating to the assets held under the scheme, such as the property management agreement, shared services agreement etc.
14.	<b>Supporting Documents</b>	a. Undertaking by the investment manager in case of scheme with no leverage.

Sr. No.	Disclosure Requirement	Details to be disclosed
		b. Auditor's report prepared on a standalone basis for each SPV or on combined financial statements, if applicable. c. Any other such report.
15.	<b>Offer procedure</b>	a. Selling restriction, if any b. Minimum Subscription and Minimum Allotment c. Price Discovery (if applicable) and Allocation d. Basis of allotment e. Timelines for allotment and listing
16.	<b>Such other information as is material and appropriate to enable the investors to make an informed decision</b>	a. Information with respect to lease rental income for each property proposed to be acquired by the scheme of the SM REIT, along with the comparable lease rental income of other similar properties (such comparable disclosures shall be sourced from or certified by a valuer or any other persons). b. Relevant confirmations with respect to the disclosures included in the KIS shall be included here, as required under Regulation 26(S) (1), (2), (3) and (4) of the REIT Regulations. c. Relevant material and appropriate information which is related to the scheme or the asset held under the scheme and which would enable the investors to make an informed decisions shall be included here.
17.	<b>Declarations which shall be signed by the board of directors of the investment manager</b>	
18.	<b>Details of the Valuer</b>	Following details of valuer(s) for the scheme shall be included: a. Background of the valuer including past experience in valuation in real estate, especially in valuation of similar assets by nature and location; b. Policy of appointment and removal.
19.	<b>Documents to be annexed</b>	a. Full Valuation Report b. Auditors Report c. Due Diligence Certificate d. In-principal approval from stock exchange(s) e. such other report in connection with schemes' asset(s), as applicable.

**3.3.1.6. Facilitate automated processing of scheme offer document:**

In order to facilitate automated processing of scheme offer document, the Merchant Banker and the SM REIT should ensure the following for preparation of scheme offer document:

- a. Use plain white backgrounds for all pages without watermarks.
- b. Include a summary of all key information such as name of the SM REIT, name of the SM REIT Scheme, SM REIT Registration status, Principle Place of Business, Contact Number, Compliance Officer details, email ID, Website of SM REIT, specific webpage for Scheme (if any), Details of offer (including offer size in rupees and in units, offer type, offer split into fresh issue vs OFS, both in rupees and units, wherever applicable), details of parties to the Trust, reservation / allotment patterns (QIB, retail etc.), standard disclaimers w.r.t the issue being the first issue by the SM REIT under that scheme, ASBA (with reference to Issue Procedure section), clause for General Risks, clause addressing Manager's and Sponsor's Absolute Responsibility, proposed Exchanges for listing and status of in principle approvals from them, names, contact details and email addresses of Registered Intermediaries connected to the Issue (such as BRLMs, RTA, CRA etc.), proposed Issue opening / closing dates, etc. within the first 1-2 cover pages, prior to the table of contents..
- c. The annotated table of contents shall be added after the cover page
- d. Summary of the scheme in tabular format covering the following shall be included after the table of contents:

<b>S. No.</b>	<b>Particulars</b>	<b>Contents</b>
1.	Name of the SM REIT	
2.	Name of the Investment Manager and Trustee	
3.	Contact details of the Investment Manager	
4.	Contact details of the Merchant Banker(s)	
5.	Listing (including name of stock Exchange(s) where it will be listed and timeline for listing)	
6.	Issue Size	
7.	Issue Price	
8.	NAV per unit	

9.	Minimum Application and in multiples of [●] units thereafter	
10.	Issue Timing	
11.	Issue Opening Date	
12.	Issue Closing Date	
13.	Pay-in Date	
14.	Expected Date of Allotment	
15.	Issuance mode of the Instrument	
16.	Depository	
17.	Objects of the Issue	
18.	Brief description of the assets under each scheme of the SM REIT	
19.	Brief description of each scheme under the SM REIT	
20.	Relevant Financial ratios	
21.	Capital structure of the assets held under each scheme of the SM REIT	
22.	Brief details of valuation of each asset under each scheme of the SM REIT	
23.	Brief description of ROFR, if any	
24.	Brief details of policy of distributions to the unit holders	
25.	Brief details of fee and expenses charged or chargeable to the SM REIT under each scheme	
26.	Details with respect to top 5 risk factors	

- e. A standardized list of chapters with well-defined sections and sub-sections as mentioned above for disclosures in scheme offer document may be used while providing disclosure in the scheme offer document. Any information that doesn't fit within the pre-established structure can be included under an "Other Information" section.
- f. For long tables running into more than one page, repeated headers should be included.
- g. Fresh chapter should be started from a new page and not from the end of the previous chapters
- h. Hyperlinks may be included in the scheme offer document in order to access the information relied upon such as relevant taxation provisions, laws relating to real estate, etc. The information being referenced should be uploaded in the website of SM REIT. The information/database accessed through the hyperlink should be static.

- i. The offer documents should include referencing of relevant Regulations and circulars issued thereunder wherever disclosures are mentioned
- j. PDF version of the scheme offer document in a plain text with page numbers formats shall be submitted separately while filing scheme offer document.
- k. QR codes, if any in the scheme offer document shall be submitted separately while filing scheme offer document

**Consultation 1: Standardizing the disclosures in scheme offer document**

Kindly provide your comments along with supporting rationale on the following:

- 1) Whether the bifurcation of scheme offer document for SM REITs in two parts viz. Key Information of the Trust and Key Information of the Scheme is appropriate?
- 2) Whether the proposed provisions for processing of KIT and KIS by SEBI are appropriate?
- 3) Whether the proposed provisions in relation to updation of KIT are appropriate?
- 4) Whether the disclosures required to be made in the KIT are adequate? Any additional disclosures may be suggested.
- 5) Whether the disclosures required to be made in the KIS are adequate? Any additional disclosures may be suggested.
- 6) Whether the measures proposed for enabling automated processing of scheme offer document in para 3.3.1.6. is appropriate? If any further measures can be adopted to enable speedier processing of the scheme offer document, please indicate the same.

#### 4. PUBLIC ISSUE PROCESS FOR SCHEME OF SM REIT

##### 4.1. BACKGROUND:

4.1.1. Chapter 2 of the Master Circular for REITs dated May 15, 2024 provides the guidelines for public issue of units of REITs. In view of the distinct features of a SM REIT vis-à-vis REIT such as ability to launch different schemes, minimum price of each unit of scheme being Rs. 10 lakhs etc., a Working Group on SM REIT was constituted *inter-alia* to examine the guidelines for public issue of units by a REIT and advise changes required to be made therein for initial offer by a scheme of SM REIT.

4.1.2. The provisions suggested by the Working Group for public issue by a scheme of SM REIT are in alignment with the provisions specified for public issue by REITs. The recommendations made by the Working Group were agreed to by the HySAC. Based on the recommendations of the Working Group and the HySAC, the proposals are detailed in the subsequent para.

##### 4.2. PROPOSAL

4.2.1. It is proposed that Chapter 2 of the Master Circular for REITs dated May 15, 2024 which provides guidelines for public issue of units by REITs be *mutatis mutandis* extended to the public issue process for a scheme of SM REIT

4.2.2. However, the following provisions of Chapter 2 of the Master Circular for REITs dated May 15, 2024 are proposed not to be made applicable for SM REITs:

- 4.2.2.1. The timeline for issuance of observations by SEBI on the draft scheme offer document have been specified in Regulation 26R(9) of the REIT Regulations and hence para 2.2.5. of the Master Circular is not made applicable for SM REIT;
- 4.2.2.2. The provisions pertaining to security deposit by the Manager are not applicable in case of a SM REIT and hence para 2.5 of the Master Circular is not made applicable for SM REIT;
- 4.2.2.3. The timeline for submission of final post issue report is specified in Regulation 26ZE of the REIT Regulations and hence para 2.13.1. (b) of the Master Circular is not made applicable for SM REIT;
- 4.2.2.4. The provisions pertaining to advertisement pertaining to issue of units of a scheme are specified in Regulation 26Z of the REIT Regulations and hence para 2.14.1. to para 2.14.6. of the Master Circular is not made applicable for SM REIT;
- 4.2.2.5. The provisions pertaining to cases where a SM REIT is not eligible to make an initial offer of units of a scheme are specified in Regulation 26P(1) of the REIT Regulations and hence para 2.16.1. of the Master Circular is not made applicable for SM REIT;
- 4.2.2.6. The provisions pertaining to prohibition on payment of incentives in respect of initial offer by a scheme of SM REIT are specified in Regulation 26ZA of the REIT Regulations and hence para 2.16.3. of the Master Circular is not made applicable for SM REIT.
- 4.2.3. It is also proposed that in addition to the provisions specified in Chapter 2 of the Master Circular (except those as mentioned above),



the following shall be applicable for an initial offer by a scheme of SM REIT:

- 4.2.3.1. A scheme of SM REIT shall make an initial offer of its units by way of public issue only.
- 4.2.3.2. The requirement of ownership of assets under Regulation 26P(2)(a) of the REIT Regulations may be complied at any point of time before allotment of units in accordance with KIT and KIS, subject to a binding agreement with the relevant party(ies) that such requirements shall be fulfilled prior to such allotment of units and, a declaration shall be sent to SEBI and to the designated stock exchanges to that effect and adequate disclosures in this regard shall be disclosed in the Offer Documents.
- 4.2.3.3. The initial offer shall be made by the scheme of SM REIT within a period of not more than one year from the date of issuance of observations by SEBI. However, if the initial offer is not made within the specified time period, a fresh draft of KIT and KIS shall be filed.
- 4.2.3.4. The SM REIT shall not make any allotment in excess of the units offered through the offer documents in case of oversubscription. In case of an oversubscription, the allotment of units to each category of investors shall not be less than the minimum bid lot, and the remaining available units, if any, shall be allotted on a proportionate basis (to be selected by a lottery).

However, in case of oversubscription, an allotment of not more than one per cent. of the net offer to public may be made for the purpose of making allotment in minimum lots.



- 4.2.3.5. The price of units of the scheme of SM REIT issued by way of public issue shall be determined through the book building process or any other process in accordance with the circulars or guidelines issued by SEBI and in the manner as may be specified by SEBI;
- 4.2.3.6. The minimum subscription amount shall be 90% of the fresh issue size as specified in the KIS.
- 4.2.3.7. The amount for general purposes, as mentioned in objects of the offer in the KIS filed with SEBI, shall not exceed ten per cent of the amount raised by the scheme of SM REIT by issuance of units.
- 4.2.3.8. Any person other than the investment manager holding units of the scheme of SM REIT prior to initial offer shall hold the units for a period of not less than one year from the date of listing of the units, subject to circulars or guidelines as may be specified by SEBI.
- 4.2.3.9. The amount in relation to the Investment Manager's contribution of 5%/15% of post-offer unitholding shall be deposited in a cash escrow bank account, 2 working days prior to the opening of the Offer and the allotment of such units will be the part of the formation transaction.
- 4.2.4. For the purpose of applicability of Chapter 2 of the Master Circular to initial offer by a scheme of SM REIT, any reference to the "manager" or the "sponsor" of the REIT under the applicable provisions of this Chapter shall be construed as a reference to the "investment manager" of the SM REIT.

**Consultation 2: Public Issue Process for scheme of SM REIT**

Kindly provide your comments along with supporting rationale on the following:

- 1) Whether the guidelines for public issue of units applicable for REITs (i.e. Chapter 2 of the Master Circular for REITs dated May 15, 2024) be made applicable *mutatis mutandis* for initial offer by a scheme of SM REIT?
- 2) Whether the list of provisions not made applicable to SM REITs, as specified in para 4.2.2, appropriate?
- 3) Whether the provisions proposed at para 4.2.3 appropriate?

## 5. ALIGNMENT OF PROVISIONS FOR SM REITS vis-à-vis REITS

### 5.1. BACKGROUND

5.1.1. The regulatory framework for SM REITs was introduced vide Securities and Exchange Board of India (Real Estate Investment Trusts) (Amendment) Regulations, 2024. These amendment regulations were based on the provisions of the REIT Regulations and provided that the provisions of REIT regulations, except Chapters II, IV, V and Regulation 22 under Chapter VI, shall *mutatis mutandis* be applicable to SM REITs. These Chapters of the REIT Regulations specify provisions in respect of the following matters:

5.1.1.1. Chapter II: Registration of Real Estate Investment Trusts

5.1.1.2. Chapter IV: Issue and Listing of Units

5.1.1.3. Chapter V: Investment Conditions, Related Party Transactions, Borrowing and Valuation of Assets

5.1.1.4. Regulation 22 under Chapter VI: Rights and meetings of unitholders

5.1.2. In consideration of the distinct features of SM REIT vis-à-vis existing REITs such as scheme wise structure, minimum issue price of units being Rs. 10 lakhs, no related party transactions, no under-construction assets etc., provisions in respect of above matters were separately specified in the regulatory framework notified for SM REITs.

5.1.3. In the SM REIT workshops held with market participants, various clarifications were sought by the participants, primarily on the following matters:

5.1.3.1. What will the treatment of the amount unclaimed / unpaid out of the distributions declared by a scheme of SM REIT.

5.1.3.2. What will happen if the investment conditions are breached on account of factors such as change in tenants, expiry of lease, sale of property etc.

## 5.2. RATIONALE AND PROPOSAL

5.2.1. It is noted that provisions dealing with aforementioned clarifications are specified in Chapter V of the REIT Regulations, which is not applicable to SM REITs. Hence, to remove any ambiguity and based on the recommendations of the HySAC, it is proposed that the following provisions pertaining to investment conditions and borrowings, as applicable for REITs, be extended to SM REITs:

S. No.	Regulation No. of REIT Regulations	Extant Regulatory Provision for REITs	Rationale and proposed provision for SM REITs
<b><u>Section I: Provisions pertaining to Investment Conditions</u></b>			
1.	18(16)(f)	<p><i>“any amount remaining unclaimed or unpaid out of the distributions declared by a REIT in terms of sub-clause (c), shall be transferred to the ‘Investor Protection and Education Fund’ constituted by the Board in terms of section 11 of the Act, in such manner as may be specified by the Board:</i></p> <p><i>Provided that the amount transferred to Investor</i></p>	<p><u>Rationale for the proposal:</u> To provide provisions for unpaid / unclaimed distributions specified in Chapter 19 of Master Circular for REITs dated May 15, 2024. <sup>1</sup></p> <p><u>Proposed Provision:</u> Any amount remaining unclaimed or unpaid out of the distributions declared by a scheme of SM REIT, shall be transferred to the ‘Investor</p>

<sup>1</sup> [https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi\\_data/attachdocs/may-2024/1715773328683.pdf#page=1&zoom=page-width,-16,792](https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi_data/attachdocs/may-2024/1715773328683.pdf#page=1&zoom=page-width,-16,792)

S. No.	Regulation No. of REIT Regulations	Extant Regulatory Provision for REITs	Rationale and proposed provision for SM REITs
		<i>Protection and Education fund shall not bear any interest.”</i>	Protection and Education Fund’ constituted by SEBI in terms of section 11 of the Act, in such manner as may be specified by SEBI. The amount transferred to Investor Protection and Education fund shall not bear any interest.
2.	18(16)(g)	<i>“the unclaimed or unpaid amount of a person that has been transferred to the Investor Protection and Education Fund in terms of sub-clause (f), may be claimed in such manner as may be specified by the Board.”</i>	<p><u>Rationale for the proposal:</u> To provide provisions for unpaid / unclaimed distributions specified in Chapter 19 of Master Circular for REITs dated May 15, 2024.<sup>2</sup></p> <p><u>Proposed Provision:</u> The unclaimed or unpaid amount of a person that has been transferred to the Investor Protection and Education Fund in terms of above provision, may be claimed in such manner as may be specified by SEBI.</p>
3.	18(9)	<i>“Conditions specified in sub-regulations (4), (5), (6), (7) and (8) shall be monitored on a half-yearly basis and at the time</i>	<p><u>Rationale for the proposal:</u> To provide a time period of six months (extendable to one year) for rectification of breach of</p>

<sup>2</sup> [https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi\\_data/attachdocs/may-2024/1715773328683.pdf#page=1&zoom=page-width,-16,792](https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi_data/attachdocs/may-2024/1715773328683.pdf#page=1&zoom=page-width,-16,792)

S. No.	Regulation No. of REIT Regulations	Extant Regulatory Provision for REITs	Rationale and proposed provision for SM REITs
		<p><i>of acquisition of an asset: Provided that if such conditions are breached on account of market movements of the price of the underlying assets or securities or change in tenants or expiry of lease or sale of properties, the manager shall inform the same to the trustee and ensure that the conditions as specified in this regulation are satisfied within six months of such breach: Provided further that the period may be extended by another six months subject to approval from investors in accordance with regulation 22.”</i></p>	<p>investment conditions on account of change in tenants, expiry of lease etc.</p> <p><u>Proposed Provision:</u></p> <p>The investment conditions specified in sub-regulation (2), of Regulation 26T shall be monitored on a half-yearly basis and at the time of acquisition of an asset.</p> <p>If such conditions are breached on account of market movements of the price of the underlying assets or securities or change in tenants or expiry of lease or sale of properties, the investment manager shall inform the same to the trustee and ensure that the conditions as specified in regulation 26T are satisfied within six months of such breach.</p> <p>The period of six months may be extended by another six months subject to approval from unitholders such that votes case in favor of the resolution is more</p>

S. No.	Regulation No. of REIT Regulations	Extant Regulatory Provision for REITs	Rationale and proposed provision for SM REITs
			than fifty percent of the total votes cast for the resolution.
<b>Section II: Provisions pertaining to Borrowings</b>			
4.	20(2)	<p><i>“The aggregate consolidated borrowings and deferred payments of the REIT, holdco and/or the SPV(s), net of cash and cash equivalents shall never exceed forty nine per cent. of the value of the REIT assets: Provided that such borrowings and deferred payments shall not include any refundable security deposits to tenants.</i></p> <p><i>Explanation 1. – Investment by REITs in overnight mutual funds, characterized by their investments in overnight securities, having maturity of one day, shall be considered as cash and cash equivalent.</i></p> <p><i>Explanation 2. –The amount of cash and cash equivalent shall be excluded from the value of the assets of the REIT.”</i></p>	<p><u>Proposed Provision and Rationale:</u></p> <p>To provide explicit clarity in the regulations, the following is proposed:</p> <ol style="list-style-type: none"> <li>Borrowings and deferred payments shall not include any refundable security deposits to tenants.</li> <li>Investment by a scheme of SM REIT in overnight mutual funds, characterized by their investments in overnight securities, having maturity of one day, shall be considered as cash and cash equivalent.</li> <li>The amount of cash and cash equivalent shall be excluded from the value of the assets of the scheme of SM REIT.</li> </ol>
5.	20(4)	<p><i>“If the conditions specified in sub-regulations (1) and (2) are breached on account of market movements of the price of the</i></p>	<p><u>Rationale for the proposal:</u></p> <p>To provide a time period of six months for compliance with the regulations if leverage</p>

S. No.	Regulation No. of REIT Regulations	Extant Regulatory Provision for REITs	Rationale and proposed provision for SM REITs
		<p><i>underlying assets or securities, the manager shall inform the same to the trustee and ensure that the conditions as specified in this regulation are satisfied within six months of such breach”</i></p>	<p>thresholds are breached due to market movements of the price of the underlying assets.</p> <p><u>Proposed Provision:</u> If the leverage limit specified in Regulation 26U(5) is breached on account of market movements of the price of the underlying assets or securities, the investment manager shall inform the same to the trustee and ensure that the conditions as specified in this sub-regulation are satisfied within six months of such breach.</p>

**Consultation 3: Alignment of provisions for SM REITs vis-à-vis REITs**

Kindly provide your comments along with supporting rationale on the following:

- 1) Whether the alignment of provisions for SM REITs with REITs, pertaining to investment conditions and borrowings, as proposed in para 5.2.1. are appropriate?



## 6. **PUBLIC COMMENTS**

6.1. Considering the implications of the aforementioned matters on the market participants, public comments are invited on the above-detailed proposals. The comments/ suggestions should be submitted latest by November 13, 2024, through the online web-based form which can be accessed using the following link:

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

6.2. Kindly go through the instructions mentioned on the above link before submitting comments on the consultation paper

6.3. In case of any technical issue in submitting your comment through web based public comments form, you may contact the following through email with a subject: "*Issue in submitting comments on Consultation Paper on Ease of Doing Business for Small and Medium REITs (SM REITs)*".

- a) Ritesh Nandwani, DGM ([riteshn@sebi.gov.in](mailto:riteshn@sebi.gov.in))
- b) Pranay Kumar Singh, AM ([pranays@sebi.gov.in](mailto:pranays@sebi.gov.in))

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