



# Capital Markets Bulletin

## April 2024



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## 1. Introduction of Small and Medium REITs (SM REITs)

The definition of REIT has been amended to include persons pooling INR 50 crore or more from at least 200 investors to acquire and manage real estate assets and properties, providing investors income without granting day-to-day control over management and operations.

The salient features of SM REITs are as under:

Sr. No.	Salient features				
1.	<p><b>General conditions:</b></p> <ul style="list-style-type: none"> <li>To pool money from investors under 1 or more schemes which shall be for owning real estate assets through Special Purpose Vehicles (<b>SPVs</b>) which are wholly owned subsidiaries of the scheme having no other capital or ownership interest in it.</li> <li>Initial offer shall be made within 3 years from registration. Failure of such shall render the SM REIT to surrender its certificate.</li> <li>Existing entities can apply for registration as SM REIT within 6 months of the notification.</li> <li>The rights of each unitholder shall be pro-rata and pari pasu i.e. no unitholder enjoys superior rights of voting over other unitholders.</li> </ul>				
2.	<p><b>Minimum offer size and investment conditions:</b></p> <ul style="list-style-type: none"> <li>Offer of units shall be made only if size of assets proposed to be acquired is at least 50 crores and upto 500 crores and number of investors are atleast 200 (excluding investment manager, its related parties and associates of SM REIT).</li> <li>Minimum price per unit shall be INR 10 lakhs or such other amount as may be specified.</li> <li>SPV shall solely and directly own all the assets acquired under the scheme. The scheme to invest atleast 95% of the scheme value in completed and revenue generating properties. (Remaining 5% may be invested in unencumbered liquid assets).</li> <li>The scheme shall not lend to any entity except to the SPV. Further, the SPV shall not lend to any other entity.</li> </ul>				
3.	<p><b>Modes of fund raising:</b></p> <ul style="list-style-type: none"> <li>SM REIT can raise funds from any investors including foreign investors subject to guidelines by RBI and Government of India.</li> <li>SM REIT schemes and their SPVs can leverage if disclosed in the offer document.</li> <li>SM REIT schemes can raise capital only through unit issuance. Further, they can undertake leverage by either borrowings or through issuance of debt securities.</li> <li>SPVs of SM REIT schemes can raise capital solely through equity from the SM REIT schemes. In case the schemes are engaged in leveraging, the SPVs may leverage through external borrowings or issue of debt securities.</li> <li>In case of leveraging, total borrowings net of cash at the scheme level must not exceed 49% of scheme assets. If the same exceeds 25%, credit rating and unit holder approval are required for any further borrowings.</li> </ul>				
4.	<p><b>Lock-in requirements:</b></p> <table border="1"> <thead> <tr> <th>Years from the date of listing</th> <th>Minimum % of unitholding by Investment Manager</th> </tr> </thead> <tbody> <tr> <td>1-3</td> <td>5% (without leverage) 15% (with leverage)</td> </tr> </tbody> </table>	Years from the date of listing	Minimum % of unitholding by Investment Manager	1-3	5% (without leverage) 15% (with leverage)
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Sr. No.	Salient features	
		(Any excess shall be held for 1 year)
4-5	5%	
6-10	3%	
11-20	2%	
After 20	1%	
	<ul style="list-style-type: none"> <li>Units held must be unencumbered.</li> </ul>	
5.	<b><u>Listing and minimum public shareholding conditions:</u></b> <ul style="list-style-type: none"> <li>SM REIT scheme units must be listed on recognized stock exchanges with nationwide trading terminals.</li> <li>Atleast 25% of the total outstanding units in each scheme must be offered and allotted to the public. The minimum public holding for each scheme must align with this requirement.</li> </ul>	
6.	<b><u>Distributions:</u></b> <ul style="list-style-type: none"> <li>At least 95% of net distributable cash flows from SPVs shall be distributed to the SM REIT scheme.</li> <li>100% of net distributable cash flows from the SM REIT scheme shall be distributed to unit holders.</li> <li>Distributions shall be declared once in every quarter within 15 working days of the quarter-end and paid to unit holders within 7 working days of declaration.</li> </ul>	
7.	<b><u>Meetings:</u></b> <ul style="list-style-type: none"> <li>Approval from unitholders is required if SM REIT scheme intends to purchase a property above 105% or sell below 95% of its assessed value by the valuer. The resolution must have votes in favor three times the number against for approval.</li> <li>Annual meeting of unitholders shall be held every year within 120 days of the end of financial year with a gap of not more than 15 months.</li> </ul>	

Detailed Chapter of SM REIT shall be accessed at [Link](#).

## 2. Additional Disclosures by FPIs:

Foreign Portfolio Investor (**FPIs**) holding more than 50% of their Indian equity Assets Under Management (**AUM**) in a single corporate group shall not make any additional disclosures if they satisfy all of the following conditions:

Sr. No.	Conditions
1.	Where an apex company of such corporate group has no identified promoter. Depositories will publish list of such corporate groups and their apex company.
2.	FPI holdings in such corporate group, excluding holding in such apex company does not exceed 50% of its Indian equity AUM.
3.	Cumulative holdings of all qualifying FPIs in such apex company is less than 3% of the total equity share capital.

Depositories shall publicly disclosure if the 3% limit is reached or exceeded before the start of trading on the next day.

Any further investment in the apex company meeting the 50% concentration criteria shall require the FPIs to either realign their investments below the 50% threshold within 10 trading days or make additional disclosures. However, this requirement for realignment or

disclosure shall not be applicable unless the 3% cumulative limit for the apex company is met throughout the said 10 trading days.

In case the FPIs are required to make additional disclosures as on 12th March 2024 after meeting the objective criteria, such FPIs shall not make any additional disclosures in case they meet the above 3 conditions on the said date.

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