



CIRCULAR

SEBI/HO/DDHS/DDHS/CIR/P/2020/35

March 13, 2020

To,
All Real Estate Investment Trusts (“REITs”)
All Parties to REITs
All Stock Exchanges
All Merchant Bankers and other Intermediaries

Madam/Sir,

Sub: Amendments to guidelines for rights issue, preferential issue and institutional placement of units by a listed REIT

Rights Issue

1. SEBI issued circular SEBI/HO/DDHS/DDHS/CIR/P/2020/09 dated January 17, 2020 (hereinafter “rights issue circular”) providing guidelines for rights issue of units by a listed REIT. The circular stands modified as under:

1.1. The existing clause 11 and 12 shall be re-numbered as 13 and 14 respectively and the following shall be inserted as clause 11 and 12 before the re-numbered clauses:

“11. A REIT satisfying the conditions mentioned below and desirous of issuing units under fast track rights issue shall, for such an issue, follow guidelines specified in this circular except those under sub-clauses 3.1, 3.2, 3.7 and 3.8:

11.1 the units of the REIT have been listed on a stock exchange for a period of at least three years immediately preceding the record date;

11.2 all the units of the REIT are held in demat form on the record date;

11.3 the average market capitalisation of public unitholding of the REIT is at least two hundred and fifty crore rupees;

11.4 the REIT is in compliance with the listing and disclosure requirements of the REIT Regulations;



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- 11.5 *the REIT has redressed at least ninety-five per cent. of the complaints received from the investors till the end of the quarter immediately preceding the month of the record date;*
- 11.6 *no show-cause notices have been issued or prosecution proceedings have been initiated by the Board and pending against the REIT, parties to the REIT or their respective promoters or partners or directors as on the record date;*
- 11.7 *the REIT, parties to the REIT or their respective promoters or partners or directors has not settled any alleged violation of securities laws through the consent or settlement mechanism with the Board during three years immediately preceding the record date;*
- 11.8 *units of the REIT have not been suspended from trading as a disciplinary measure during last three years immediately preceding the record date;*
- 11.9 *no regulatory action has been imposed on the REIT in the three years preceding the year in which rights issue is proposed;*
- Provided that imposition of only monetary fines by stock exchanges on the REIT shall not be a ground for ineligibility for undertaking issuances under this clause.*
- 11.10 *there shall be no conflict of interest between the lead merchant banker(s) and the REIT or parties to the REIT in accordance with the applicable regulations;*
- 11.11 *The sponsor and sponsor group shall mandatorily subscribe to their rights entitlement and shall not renounce their rights, except to the extent of renunciation within the respective sponsor group or for the purpose of complying with minimum public shareholding norms prescribed under the REIT Regulations, 2014;*
- 11.12 *there are no audit qualifications on the audited accounts of the REIT in respect of those financial years for which such accounts are disclosed in the letter of offer;*

Explanation: For the purpose of this circular, “audit qualifications” shall be those disclosed under applicable accounting standard relating to modification to the



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opinion in the independent auditor's report and requires a qualified opinion, adverse opinion or disclaimer of opinion for material misstatements.

12. *The REIT shall file the letter of offer with the Board in accordance with sub-clause 3.9 and shall pay fees to the Board as specified in Schedule II of REIT Regulations for issuing units through fast track rights issue route."*

1.2. Clause 7 (a) of Annexure I is modified as under:

"Provided if the REIT has undertaken any acquisition or disposal of any material asset(s) after the latest period for which financial information is disclosed in the letter of offer but before the date of filing of the letter of offer, the financial information should be prepared on a pro forma basis certified by statutory auditors of the REIT for the last completed financial year and the stub period (if any)."

Preferential and Institutional Placement

2. The following clauses of SEBI circular SEBI/HO/DDHS/DDHS/CIR/P/2019/142 dated November 27, 2019 providing guidelines for preferential issue and institutional placement of units by listed REITs stand modified as under:

2.1. Clause 3.1 of Annexure I is modified as under:

"The units allotted to sponsor(s) and sponsor group shall be locked-in for a period of three years from the date of trading approval granted for the units:

Provided that units not more than twenty-five percent of the total unit capital of the REIT shall be locked-in for three years from the date of trading approval:

Provided further that units allotted in excess of twenty-five percent of the total unit capital of the REIT shall be locked-in for one year from the date of trading approval."

2.2. The proviso to the paragraph 7(a) of Annexure III is modified as under:

"Provided that if the REIT has undertaken any acquisition or disposal of any material assets after the latest period for which the financial information is disclosed in the placement document but before the date of placement document, the pro forma financial statements shall be prepared and certified by statutory auditors for the last completed financial year and the stub period (if any)."



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2.3. The existing paragraph (b) under clause 7 shall be re-numbered as (c) and the following shall be inserted before the re-numbered (c):

“b) Summary of the audited standalone financial statements of the assets proposed to be acquired for the previous three years and the stub period (if any)”

2.4. Clause 11 is added to Annexure III is as under:

“The lead merchant banker shall ensure that the information contained in the draft placement document and placement document and the particulars as per audited financial statements are not more than six months old from the issue opening date:

Provided that REITs which are in compliance with REIT Regulations and guidelines issued thereunder may file unaudited financials with limited review for the stub period in the current financial year, subject to making necessary disclosures in this regard including risk factors.”

3. This circular is being issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 and Regulation 33 of the REIT Regulations.
4. This Circular is available on the website of the Securities and Exchange Board of India at www.sebi.gov.in under the category “Legal” and under the drop down “Circulars”.

Yours faithfully,

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