

DRAFT CIRCULARS FOR PUBLIC COMMENTS

Amendment to Master Circular for Infrastructure Investment Trusts (InvITs) and Master Circular for Real Estate Investment Trusts (REITs) dated May 15, 2024.

1. The objective of this consultation paper is to seek comments / views / suggestions from the public on the following proposals related to REITs and InvITs:
 - 1.1. Review of lock-in provisions for preferential issue of units for InvITs and REITs
 - 1.2. Guidelines for Follow-on offer by a REIT and a publicly offered InvIT
2. In this regard, public comments are invited on the following Draft Circulars –
 - 2.1. ***“Amendment to Master Circular for Infrastructure Investment Trusts (InvITs) dated May 15, 2024.”***, placed at [Annexure – A](#).
 - 2.2. ***“Amendment to Master Circular for Real Estate Investment Trusts (REITs) dated May 15, 2024.”***, placed at [Annexure – B](#).
3. The comments / suggestions along with rationale should be submitted latest by March 13, 2025, 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>
4. Kindly go through the instructions mentioned on the above link before submitting comments on the consultation paper
5. In case of any technical issue in submitting your comment(s) through the web based public comments form, you may contact the following through email with the subject "*Amendment to Master Circular for Infrastructure Investment Trusts (InvITs) and Master Circular for Real Estate Investment Trusts (REITs) dated May 15, 2024*".
 - a) Pranay Kumar Singh, AM (pranays@sebi.gov.in)

Issued on: February 20, 2025

Encl.: [Annexure – A](#) and [Annexure - B](#)

Annexure – A

DRAFT CIRCULAR FOR INVITs

SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/_____

February _____, 2025

To,

Bharat InvIT Association

All Infrastructure Investment Trusts (InvITs)

All Parties to InvITs

All Recognised Stock Exchanges

Madam / Sir,

Subject: Amendment to Master Circular for Infrastructure Investment Trusts (InvITs) dated May 15, 2024

(A) Review of lock-in provisions for preferential issue of units for Infrastructure Investment Trusts (InvITs)

1. Regulations 12(3) of the SEBI (Infrastructure Investment Trusts) Regulations, 2014 (“InvIT Regulations”) *inter-alia* require the sponsor(s) and sponsor group(s) to hold a minimum of 15% of the total units of the InvIT¹, for three years from the date of listing of units in the initial offer.
2. However, Para 7.6.1. of the Master Circular for InvITs dated May 15, 2024, dealing with the lock-in requirement applicable at the time of preferential issue of units by a InvIT, requires as under:
“The units allotted to sponsor(s) and its associates shall be locked-in for a period of three years from the date of trading approval granted for the units:

¹ 25% of the total units in case the sponsor / associate of sponsor is not the project manager of the InvIT for a minimum period of three years from the date of listing of units of the InvIT.

Provided that units not more than twenty-five percent of the total unit capital of the InvIT 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 InvIT shall be locked-in for one year from the date of trading approval.

Explanation: For the computation of the lock-in requirement, the units held by the sponsor(s) and locked-in for three years, in the past in terms of Regulation 12 (3) of the InvIT Regulations shall be taken into account. The units locked-in pursuant to Regulation 12(3) of the InvIT Regulations shall not be put under fresh lock-in again, even though they are considered for computing the lock-in requirement, in case the said units are free of lock-in at the time of the preferential issue.”

3. It has been represented by the industry associations to align the quantum of units required to be locked-in under the guidelines for preferential issue of units for InvITs with Regulation 12(3) of the InvIT Regulations applicable at the time of initial offer.

4. Accordingly, in order to promote ease of doing business and based on the recommendations of Hybrid Securities Advisory Committee (HySAC), it is proposed to substitute Para 7.6.1. of the Master Circular for InvITs dated May 15, 2024, as under:

“The units allotted to sponsor(s) and sponsor group(s) shall be locked-in as under:

- a) fifteen percent of the units allotted to sponsor(s) and sponsor group(s) shall be locked-in for a period of three years from the date of trading approval granted for the units, subject to the condition that the project manager of the InvIT is the sponsor or an associate of the sponsor and shall continue to act in such capacity for a period of minimum three years from the date of trading approval granted for the units unless suitable replacement is appointed by the unitholders through the Trustee;*

Provided that twenty-five percent of the units allotted to sponsor(s) and sponsor group(s) shall be locked-in for a period of three years from the date of trading approval granted for the units if the condition specified above relating to project manager of the InvIT is not satisfied;

- b) the remaining units allotted to sponsor(s) and sponsor group(s) shall be locked-in for a period of one year from the date of trading approval granted for the units.*

Further, the sponsor(s) and sponsor group(s) shall comply with the minimum unitholding requirement specified in Regulation 12(3) and 12(3A) of SEBI (Infrastructure Investment Trusts) Regulations, 2014, at all times ”

(B) Guidelines for follow-on offer by publicly offered InvITs

5. Regulation 14(4)(b) of the InvIT Regulations *inter-alia* provides follow-on offer as one of the mechanism for raising funds subsequent to issue of units after initial public offer and in the manner specified by the Board.
6. Further, Regulation 2(1)(p) of the InvIT Regulations defines follow-on offer as under:
“ follow-on offer” means offer of units of an InvIT to the public for subscription and includes an offer for sale of InvIT units by an existing unit holder to the public;”
7. It has been represented by the industry associations to provide a regulatory framework for undertaking follow-on offer by a publicly offered InvIT. They have also suggested a framework for undertaking fast track follow-on offer with the aim to make the fund raising more efficient.
8. In order to promote Ease of Doing Business and based on the representation and inputs received from industry associations and recommendations of HySAC, it is proposed to modify Chapter 2, titled *“Guidelines for public issue of*

units of InvITs” of the Master Circular for Infrastructure Investment Trusts dated May 15, 2024 by inserting the following provisions:

“Follow-on Offer

- 2.17. *The provisions specified in Chapter 2 of this Master Circulars which are applicable for public issue of units of InvIT are also applicable for follow-on offer by an InvIT.*
- 2.18. *For issuing units through a follow-on offer, the InvIT shall pay fees to the Board as specified in Schedule II of InvIT Regulations along with follow-on offer document / draft follow-on offer document, as applicable.*
- 2.19. *An InvIT desirous of issuing units by way of follow-on offer shall, for any such issue, ensure that:*
- 2.19.1. *It has made an application to all stock exchanges on which its units are listed, to seek an in-principle approval for listing of its units on such stock exchanges and has chosen one of them as the designated stock exchange.*
- 2.19.2. *Units shall be issued mandatorily in dematerialized form.*
- 2.20. *The Investment Manager and the merchant banker(s) shall be responsible for obtaining in-principle approval and final listing and trading approvals from the stock exchange(s).*
- 2.21. *The amount for general purposes, as mentioned in objects of the issue in the follow-on offer document filed with the Board shall be as specified under clause (va) of sub-regulation (4) of Regulation 14 of the InvIT Regulations.*
- 2.22. *The minimum public unitholding shall be at least twenty-five percent of the total outstanding units of the InvIT on post issue basis..*

- 2.23. *The provisions of Regulation 15 of the InvIT Regulations shall be applicable for follow-on offer document and advertisements in relation to a follow-on offer.*
- 2.24. *Allotment and Listing of units:* *The timelines for allotment and listing of units of InvIT shall be as per the timelines specified in case of initial public offer as mentioned in Chapter 2 of the Circular on Master Circular for InvITs.*
- 2.25. *Payment of interest in case of failure to allot or list units:* *The provisions specified under clauses (t) and (u) of sub-regulation (4) of Regulation 14 of the InvIT Regulations shall be applicable mutatis mutandis pertaining to, payment of interest in relation to a follow-on offer in case of failure to allot or list units.*
- 2.26. *Restriction on further issue of units:* *An InvIT shall not undertake any further issue of units in any manner whether by way of public issue, rights issue, preferential issue, institutional placement or otherwise, except pursuant to a unit based employee benefit scheme (if any) during the period between the date of filing of the draft follow-on offer document/ follow-on offer document for follow-on offer and the listing of the units or refund of application monies:*
- 2.27. *The provisions of Chapter 3 of this Master Circular shall apply in relation to the disclosure of financial information in the follow-on offer document except Section (B) (provisions pertaining to disclosure of projections of InvITs Revenues and Operating Cash flows) and Section (G) (Principles for preparation of combined financial statements)."*
- 2.28. *Filing of offer document for issuing units through a follow-on offer ('follow-on offer document')*

2.28.1. *The InvIT shall file the draft follow-on offer document, through the merchant banker with the Board, for its observations. The timelines for issuance of observations shall be as specified under Chapter 2 of the Master Circular for InvITs. The draft follow-on offer document shall also be filed with the recognized stock exchange, through the merchant banker.*

2.28.2. *The follow-on offer document, after incorporating the observations of SEBI, shall be filed with the Board and recognized stock exchanges.*

2.29. Submission of due diligence certificate to the Board

2.29.1. *The merchant banker shall, along with the filing of the draft follow-on offer document, furnish to the Board, due diligence certificate as per Form A and Form B of Annexure -1 of this Master Circular for InvITs.*

9. This circular shall come into force with immediate effect.
10. 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 14(4)(b), 14(4)(l) and 33 of the SEBI (Infrastructure Investment Trusts) Regulations, 2014. This circular is issued with the approval of the competent authority.
11. The recognized Stock Exchanges are advised to disseminate the contents of this Circular on their website.
12. 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”.

DRAFT CIRCULAR FOR REITs

SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/ _____

February _____, 2025

To,

Indian REIT Association

All Real Estate Investment Trusts (REITs)

All Parties to REITs

All Recognised Stock Exchanges

Madam / Sir,

**Subject: Amendment to Master Circular for Real Estate Investment Trusts (REITs)
dated May 15, 2024**

(A) Review of lock-in provisions for preferential issue of units for REITs

1. Regulations 11(3) of the SEBI (Real Estate Investment Trusts) Regulations, 2014 (“REIT Regulations”) *inter-alia* require the sponsor(s) and sponsor group(s) to hold a minimum of 15% of the total units of the REIT, for three years from the date of listing of units in the initial offer.
2. However, Para 10.6.1. of the Master Circular for REITs dated May 15, 2024, dealing with the lock-in requirement applicable at the time of preferential issue of units by a REIT, requires 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.

Explanation: For the computation of the lock-in requirement, the units held by the sponsor(s) and locked-in for three years, in the past in terms of Regulation 11(3) of the REIT Regulations shall be taken into account. The units locked-in pursuant to Regulation 11(3) of the REIT Regulations shall not be put under fresh lock-in again, even though they are considered for computing the lock-in requirement, in case the said units are free of lock-in at the time of the preferential issue.”

3. It has been represented by the industry associations to align the quantum of units required to be locked-in under the guidelines for preferential issue of units for REITs with Regulation 11(3) of the REIT Regulations applicable at the time of initial offer.
4. Accordingly, in order to promote ease of doing business and based on the recommendations of Hybrid Securities Advisory Committee (HySAC), it is proposed to substitute Para 10.6.1. of the Master Circular for REITs dated May 15, 2024, as under:

“10.6.1. The units allotted to sponsor(s) and sponsor group(s) shall be locked-in as under:

- a) *fifteen percent of the units allotted to sponsor(s) and sponsor group(s) shall be locked-in for a period of three years from the date of trading approval granted for the units;*
- b) *the remaining units allotted to sponsor(s) and sponsor group(s) shall be locked-in for a period of one year from the date of trading approval granted for the units.*

Further, the sponsor(s) and sponsor group(s) shall comply with the minimum unitholding requirement specified in Regulation 11(3) of SEBI (Real Estate Investment Trusts) Regulations, 2014, at all times.

(B) Guidelines for follow-on offer by publicly offered REITs

5. Regulation 14(3) of the REIT Regulations *inter-alia* provides follow-on offer as one of the mechanism for raising funds subsequent to issue of units after initial public offer and in the manner specified by the Board.
6. Further, Regulation 2(1)(n) of the REIT Regulations defines follow-on offer as under:
“follow-on offer” means offer of units of a listed REIT to the public for subscription and includes an offer for sale of REIT units by an existing unit holder to the public;”
7. It has been represented by the industry associations to provide a regulatory framework for undertaking follow-on offer by a REIT. They have also suggested a framework for undertaking fast track follow-on offer with the aim to make the fund raising more efficient.
8. In order to promote Ease of Doing Business and based on the representation and inputs received from industry associations and recommendations of HySAC, it is proposed to modify Chapter 2, titled *“Guidelines for public issue of units of REITs”* of the Master Circular for Real Estate Investment Trusts dated May 15, 2024 by inserting the following provisions:

“Follow-on Offer

2.17. The provisions specified in Chapter 2 of this Master Circulars which are applicable for public issue of units of InvIT are also applicable for follow-on offer by an InvIT.

2.18. For issuing units through a follow-on offer, the REIT shall pay fees to the Board as specified in Schedule II of REIT Regulations along with follow-on offer document / draft follow-on offer document, as applicable.

2.19.A REIT making a follow-on offer shall ensure that:

- 2.19.1. *It has made an application to all stock exchanges on which its units are listed, to seek an in-principle approval for listing of its units on such stock exchanges and has chosen one of them as the designated stock exchange.*
- 2.19.2. *Units shall be issued mandatorily in dematerialized form.*
- 2.20. *The Manager and the merchant banker(s) shall be responsible for obtaining in-principle approval and final listing and trading approvals from the stock exchange(s).*
- 2.21. *The amount for general purposes, as mentioned in objects of the issue in the follow-on offer document filed with the Board shall be as specified under sub-regulation (22A) of Regulation 14 of the REIT Regulations.*
- 2.22. *The minimum public unitholding shall be at least twenty-five percent of the total outstanding units of the REIT on post issue basis.*
- 2.23. *The provisions of Regulation 15 of the REIT Regulations shall be applicable for follow-on offer document and advertisements in relation to a follow-on offer.*
- 2.24. *Allotment and Listing of units: The timelines for allotment and listing of units of REIT shall be as per the timelines specified in case of initial public offer as mentioned in Chapter 2 of the Circular on Master Circular for REITs.*
- 2.25. *Payment of interest in case of failure to allot or list units:* *The provisions specified under sub-regulations (20) and (21) of Regulation 14 of REIT Regulations shall be applicable mutatis mutandis pertaining to, payment of interest in relation to a follow-on offer in case of failure to allot or list units.*

- 2.26. Restriction on further issue of units: A REIT shall not undertake any further issue of units in any manner whether by way of public issue, rights issue, preferential issue, institutional placement or otherwise, except pursuant to a unit based employee benefit scheme (if any) during the period between the date of filing of the draft follow-on offer document/ follow-on offer document for follow-on offer and the listing of the units or refund of application monies:
- 2.27. The provisions of Chapter 3 of this Master Circular shall apply in relation to the disclosure of financial information in the follow-on offer document except Section (B) (provisions pertaining to disclosure of projections of REIT's Revenues and Operating Cash flows) and Section (G) (Principles for preparation of combined financial statements)."
- 2.28. Filing of offer document for issuing units through a follow-on offer ('follow-on offer document')
- 2.28.1. The REIT shall file the draft follow-on offer document, through the merchant banker with the Board, for its observations. The timelines for issuance of observations shall be as specified under Chapter 2 of the Master Circular for REITs. The draft follow-on offer document shall also be filed with the recognized stock exchange, through the merchant banker.
- 2.28.2. The follow-on offer document, after incorporating the observations of SEBI, shall be filed with the Board and recognized stock exchanges.
- 2.29. Submission of due diligence certificate to the Board

2.29.1. The merchant banker shall, along with the filing of the draft follow-on offer document, furnish to the Board, due diligence certificate as per Form A and Form B of Annexure -1 of this Master Circular.

9. This circular shall come into force with immediate effect.
10. 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 14(3), 14(11) and 33 of the SEBI (Real Estate Investment Trusts) Regulations, 2014. This circular is issued with the approval of the competent authority.
11. The recognized Stock Exchanges are advised to disseminate the contents of this Circular on their website.
12. 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”.