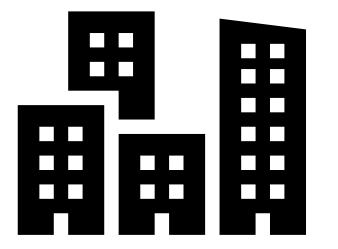
Consultation papers on proposals towards Ease of Doing Business for **REITs, InvITs and Non-Convertible Securities**





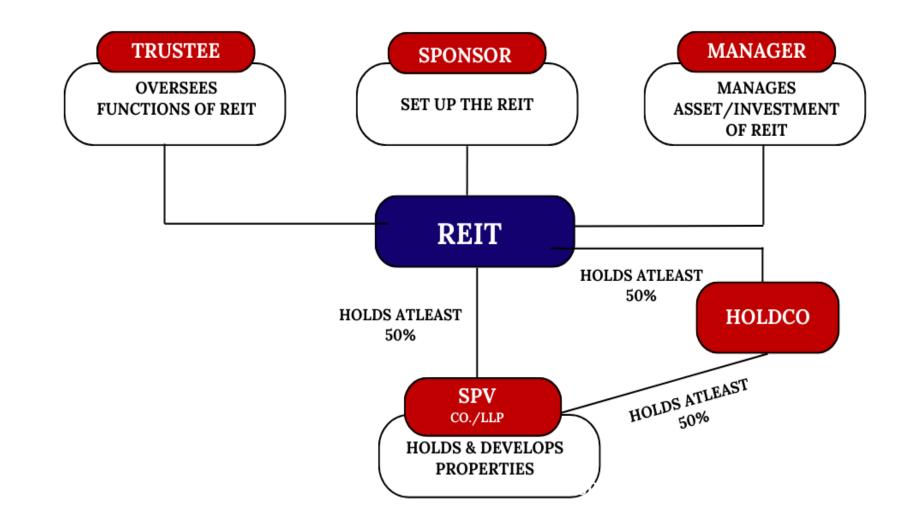
Real Estate Investment Trusts (REITs)

What is **REIT**



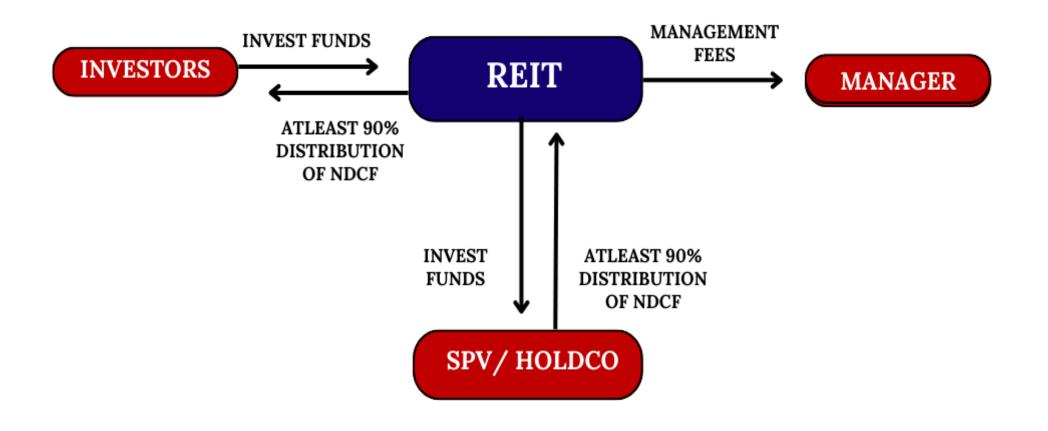
- SEBI notified REIT Regulations on September 26, 2014 and thereby introduced the concept of REITs in India
- A REIT is an investment vehicle which pools money from the investors and invests in high value real estate properties or assets like office spaces, malls etc. against issuance of its units.
- REIT earn in the form of rent and potential capital appreciation which it distributes to the unitholders.
- REIT has to mandatorily get its units listed within a period of 3 years from the date of registration with SEBI.

Structure of REITs



24 May 2024

Structure of REITs



Existing REITs in India

Presently, there are only 4 listed REITs in India. Although REIT Regulations were launched in 2014, we witnessed the listing of first Indian REIT only in 2019.



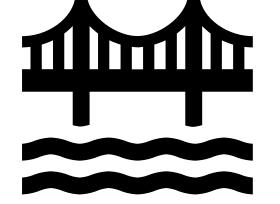
As on 31/12/2023 sourced from respective websites



Infrastructure Investment Trusts (InvITs)

What is InvIT

• InvITs are investment vehicles pooling money from investors for investment in income-generating infrastructure assets like roads, bridges, power plants, and airports.



- The primary goal of InvITs is to generate income through rental and toll income from these infrastructure assets.
- Managed by an Investment Manager, InvITs operate similarly to Real Estate Investment Trusts (REITs), acquiring assets from sponsors or developers and distributing income to investors in the form of distribution.

Top listed InvITs in India

- Bharat Highways InvIT
- Data Infrastructure Trust
- Cube Highways Trust
- India Grid Trust
- Powergrid Infrastructure Investment Trust
- India Infrastructure Trust



IndiGrid





INFRA

R

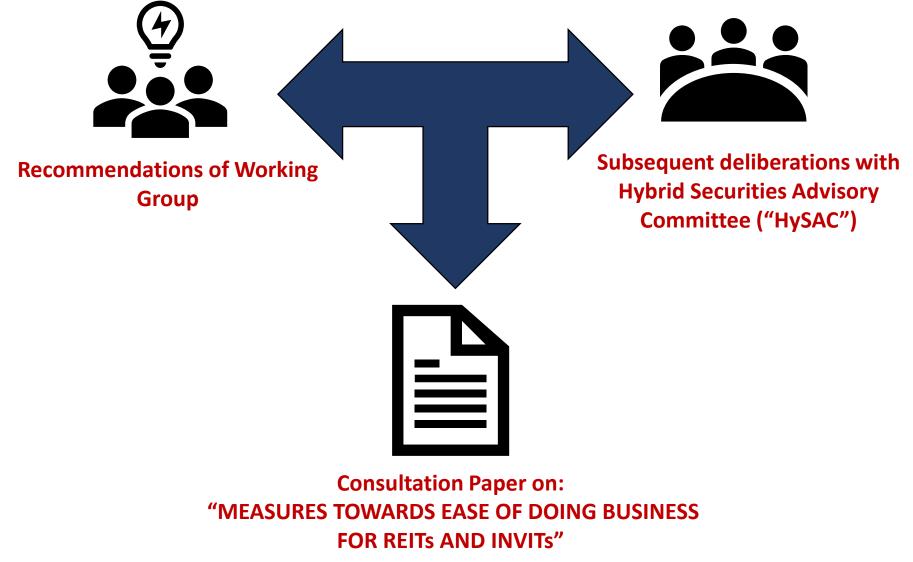


Consultation Paper on REITs and InvITs



8 December 2023

Consultation Paper on REITs and INVITs



Part A: Proposals for Both REITs and InvITs



8 December 2023

REVISION OF DISTRIBUTION TIMELINES

Current Provision:

Distributions must be made within 15 days from the date of declaration.

Proposed Changes:

- Reduce the timeline to 5 working days from the date of declaration.
- Flexibility to the manager/ investment manager of REIT/InvIT (other than SM REIT) to fix record date.
- The manager/ investment manager of REIT/InvIT (other than SM REIT) shall intimate the record date to the stock exchange(s) at least 2 working days in advance (excluding the date of intimation and the record date).



REVISION OF DISTRIBUTION TIMELINES

Consultation:

Whether the proposed timeline of 5 working days from declaration for completion of the distribution to the unitholders of REIT/InvIT is appropriate and adequate?





REVISION OF DISTRIBUTION TIMELINES

Consultation:

Whether the proposed time period of minimum 2 working days for intimation of the record date to stock exchange by the manager/ investment manager of REIT/InvIT is appropriate and adequate?





SHORTER NOTICE FOR UNITHOLDER MEETINGS

Current Provision:

A notice of at least 21 days is required for unitholder meetings.

Proposed Change:

Allowing REITs other than SM REITs and InvITs to call a unitholders' meeting on shorter notice, subject to 95% unitholders' consent.



SHORTER NOTICE FOR UNITHOLDER MEETINGS

Consultation:

Whether the proposed condition for calling a unitholders' meeting with shorter notice subject to receiving consent from not less than 95% of unitholders entitled to vote is appropriate and adequate?





DISCLOSURE AND REVIEW OF INVESTOR COMPLAINTS

Current Provision:

Statements must be reviewed by the board before submission to stock exchanges, within 21 days from the end of each quarter.

Proposed Change:

Aligning the submission and review process of the statement of investor complaints with SEBI (LODR) Regulations, eliminating the need for prior review by the board.



DISCLOSURE AND REVIEW OF INVESTOR COMPLAINTS

Consultation:

Whether the proposal of aligning the provisions for submission and review of statement of investor complaints with LODR Regulations is appropriate and adequate?







Current Provision:

Submit statement of deviation(s) within 21 days from the end of each quarter.

Proposed Change:

Submit statement of deviation(s) along with the publication of quarterly financial results.





Consultation:

Whether the proposed provision that the submission of the statement of deviation(s) and variation(s) to coincide with the date of publication of the quarterly results is appropriate and adequate?





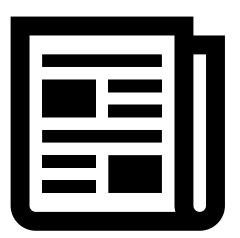
CLARIFICATION ON VOTING THRESHOLD

Current Provision:

Votes in favor must exceed votes against/ Votes in favor must be at least 1.5 times the votes against.

Proposed Change:

- Voting count shall be in percentage terms (at least 60%) instead of proportionate terms (one and a half times)
- Voting count shall be in percentage terms (at least 50%) instead of proportionate terms (more than)
- Voting thresholds shall be calculated based on the persons present and voting, since the same is in alignment with the intent of the current regulations.



|--|

CLARIFICATION ON VOTING THRESHOLD

Proposed Change:

- The Manager of REIT / Investment Manager of InvIT shall provide an option to the unitholders to attend the meeting through Video Conferencing or Other Audio Visual Means.
- The option of remote e-voting shall be provided to the unitholders for all unitholder meetings.



CLARIFICATION ON VOTING THRESHOLD

Consultation:

Whether the proposed requirement of stating the voting count in percentage terms ('60%' or '50%') instead of proportionate terms ('one and a half times' or 'more than') is appropriate and adequate?





CLARIFICATION ON VOTING THRESHOLD

Consultation:

Whether the proposed explicit clarification that the voting thresholds shall be calculated based on the persons present and voting is appropriate and adequate?





CLARIFICATION ON VOTING THRESHOLD

Consultation:

Whether the proposed requirement for REITs and InvITs mandatorily providing an option to unitholders to attend the meeting through Video Conferencing or Other Audio Visual Means is appropriate and adequate?





CLARIFICATION ON VOTING THRESHOLD

Consultation:

Whether the proposed requirement of providing remote evoting facility to the unitholders for all unitholder meetings is appropriate and adequate?





MAINTENANCE OF RECORDS IN ELECTRONIC FORM

Current Provision:

Managers must maintain records in physical form; electronic form allowed for trustees.

Proposed Change:

To allow the maintenance of records in electronic form along with backup and disaster recovery norms.

	- 8	



MAINTENANCE OF RECORDS IN ELECTRONIC FORM

Consultation:

Whether the proposed amendment to allow the maintenance of records in electronic form for both manager as well as trustee is appropriate and adequate?





MAINTENANCE OF RECORDS IN ELECTRONIC FORM

Consultation:

Whether the proposed norms for data backup and disaster recovery for records maintained in electronic form are appropriate and adequate?





Part B: Proposals for InvITs only



8 December 2023



Current Provision:

Trading lot set at INR 1 crore (or INR 2 crores for certain investments).

Proposed Change:

To reduce the trading lot size for privately placed InvITs to INR 25 lakhs.





Consultation:

Whether the proposed lot size of rupees twenty-five lakhs for the purpose of trading of units of privately placed InvITs is appropriate and adequate?





ALIGNMENT OF SPONSOR CHANGE PROVISION

Current Provision:

Change in sponsor means any change due to entry of a new sponsor with or without exit of an existing sponsor.

Proposed Change:

Aligning the provisions related to changes in sponsors in InvIT Regulations with those in REIT Regulations, allowing for changes due to either the entry of a new sponsor or the exit of an existing sponsor.



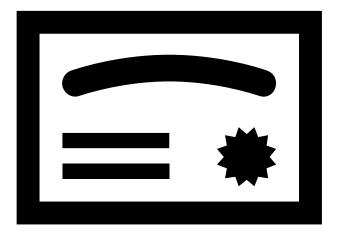
ALIGNMENT OF SPONSOR CHANGE PROVISION

Consultation:

Whether the proposed revision to the InvIT Regulations clarifying that changes in sponsor or inducted sponsor can occur on account of either the entry of a new sponsor or the exit of existing sponsors is appropriate and adequate?

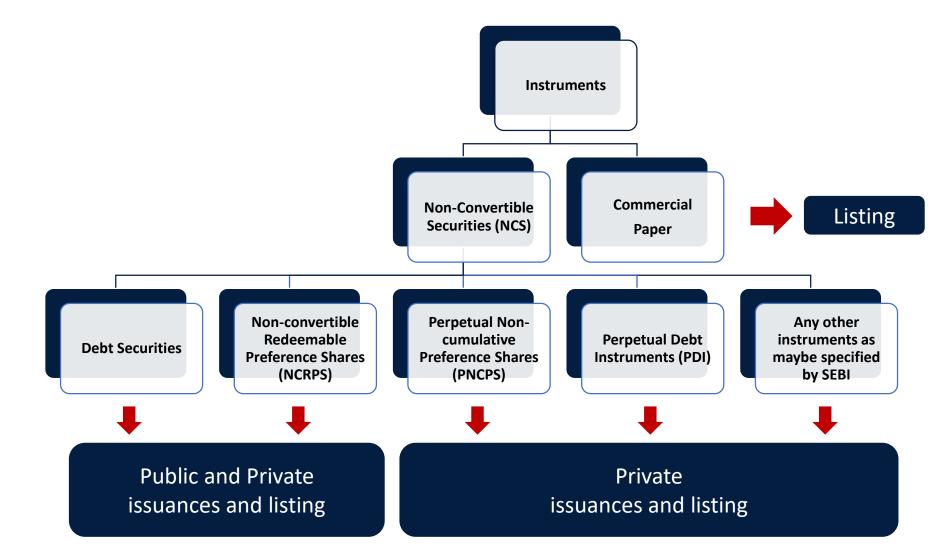




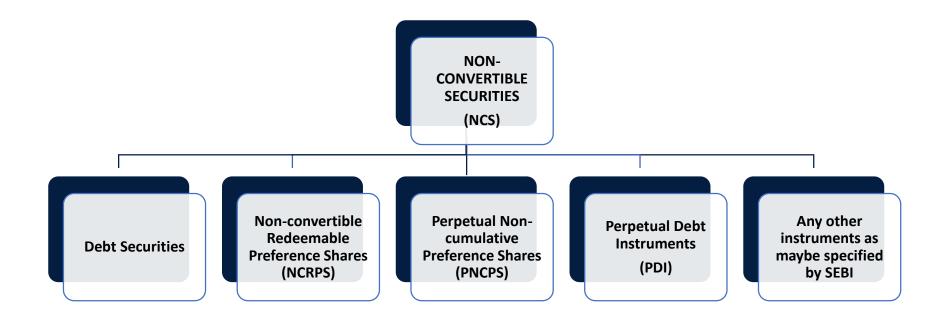


Non-Convertible Securities (NCS)

Applicability of NCS Regulations



Definition of Non-convertible Securities



Definition of Debt Securities

DEBT SECURITIES

means NON-CONVERTIBLE DEBT (NCDs) securities with a

fixed maturity period



- Debentures,
- Bonds, or
- Any other security with or without charge





Security Receipts,
 Securitized Debt Instruments,
 Money market instruments, and
 Bonds.

Why Non-convertible Debt Securities

Company Perspective

- Fewer Compliance requirements as compared to the issuance of equity shares
- Enhanced Visibility
- ➢ No Equity dilution
- Diversification of Funding sources
- Cost-Effective Financing
- Customized Terms and Flexibility
- Capital Expenditure and Working Capital

Requirements

Debenture holders Perspective

- Provides liquidity to the Investors
- Better Returns
- Fixed Tenure
- A sense of security
- Diversification in Portfolio
- Capital Appreciation
- Less risky

Top listed NCS issued in India

- Power Finance Corporation (Rs. 5,000 cr)
- Cholamandalam Investment and Finance Company Limited (Rs. 5,000 cr)
- Piramal Enterprises (Rs. 3,000 cr)
- Aditya Birla (Rs. 2,000 cr)
- IIFL Samasta Finance limited (Rs. 2,000 cr)



ADITYA BIRLA GROUP

Chola

Enter a better life



पी एफ र्स

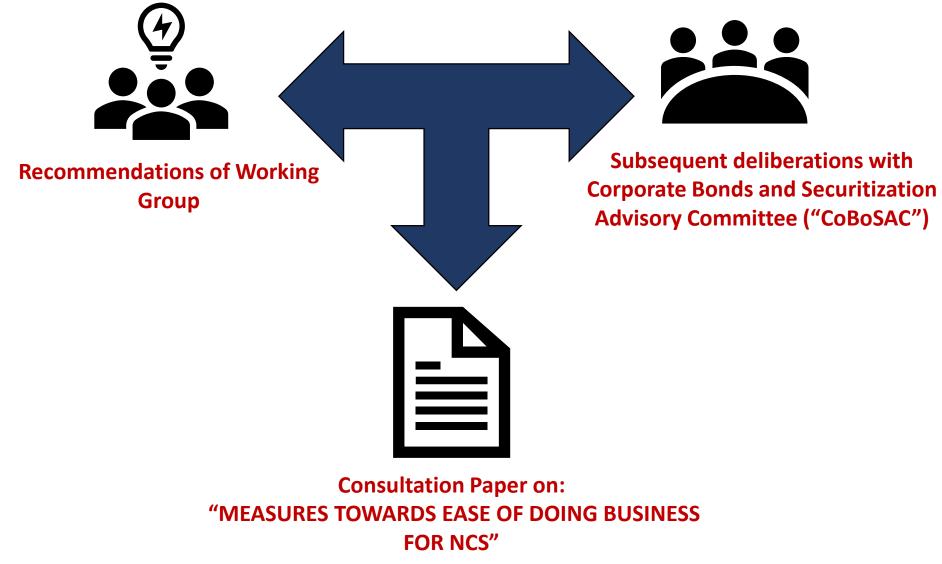


Consultation Paper on NCS



8 December 2023

Consultation Paper on NCS



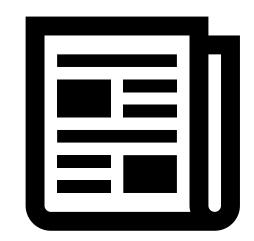
DELETION OF CERTAIN DISCLOSURES IN OFFER DOCUMENT

Current Provision:

Personal address, PAN and Business and financial activities of promoters must be disclosed in the offer document.

Proposed Change:

- ➢ To remove the requirement for disclosing the personal address and PAN of promoters in the offer document and add the same to declaration clause.
- Retain the requirement of disclosing Business and financial activities of promoters.





DELETION OF CERTAIN DISCLOSURES IN OFFER DOCUMENT

Consultation:

Whether the proposal regarding removal of disclosure of PAN of the promoters of the Issuer from the offer document is appropriate and adequate?





DELETION OF CERTAIN DISCLOSURES IN OFFER DOCUMENT

Consultation:

Whether the proposal regarding removal of disclosure of personal address of the promoters of the Issuer from the offer document and adding the same under Schedule I of the NCS Regulations is appropriate and adequate?





DISCLOSE THE TIME PERIOD FOR KEY PARAMETERS

Current Provision:

No specific period for disclosure of key operational and financial parameters.

Proposed Change:

To align the period for disclosure of key operational and financial parameters in line with period for disclosure of financial information in the offer document i.e. 3 completed years, not more than 6 months old from the date of the issue document or issue opening date.



DISCLOSE THE TIME PERIOD FOR KEY PARAMETERS

Consultation:

Whether the proposal of aligning the time period for key and operational parameters in line with the period for disclosure of financial information in the offer document is appropriate and adequate?





DETAILS OF BRANCHES OR UNITS IN OFFER DOCUMENT

Current Provision:

Detailed information about all branches/units must be listed in the offer document.

Proposed Change:

- Provide branch/unit details via QR code and web-link in the offer document.
- Submit branch/unit details to the debenture trustee and make them available for inspection as per NCS Regulations.
- Add a checklist item in the 'Security and Covenant Monitoring System' for providing branch/unit information to the debenture trustee and confirmation by the trustee.

5	

DETAILS OF BRANCHES OR UNITS IN OFFER DOCUMENT

Consultation:

Whether the proposal of disclosing details about the branches/units of the Issuer as on the date of the offer document in the form of QR code and weblink is appropriate and adequate?





DETAILS OF BRANCHES OR UNITS IN OFFER DOCUMENT

Consultation:

Whether the proposal of specifying that details of all the branches/ units of the issuer as on the date of the offer document may be provided to the debenture trustee and also kept available for inspection as per schedule I of the NCS Regulations is appropriate and adequate?





DETAILS OF BRANCHES OR UNITS IN OFFER DOCUMENT

Consultation:

Whether the proposal to include this as a checklist in the 'Security and Covenant Monitoring System', wherein the issuer confirms provision of the information to the debenture trustee and debenture trustee confirms receipt of information in this regard is appropriate and adequate?





DISCLOSURE ON 'PROJECT COST AND MEANS OF FINANCING'

Current Provision:

Schedule I of NCS Regulations mandates project cost and means of financing disclosure for new projects.

Proposed Change:

Align such disclosure requirements with Schedule VII of ICDR Regulations, specifying 'proposed use of proceeds'.



DISCLOSURE ON 'PROJECT COST AND MEANS OF FINANCING'

Consultation:

Whether the proposal of aligning the provisions of Schedule I of the NCS Regulations regarding disclosure about project cost and means of financing with clause 7 of Schedule VII of the ICDR Regulations which provides detailed disclosures about use of proceeds is appropriate and adequate?





RELAXATION IN PROVIDING CERTAIN DETAILS

Current Provision:

Extensive details required for each vendor in immovable property transactions.

Proposed Change:

- Only the top 5 vendors based on transaction value need to be detailed in the offer document.
- Information on other vendors can be provided via QR code and web-link.
- Submit branch/unit details to the debenture trustee and make them available for inspection as per NCS Regulations.
- Add a checklist item in the 'Security and Covenant Monitoring System' for providing branch/unit information to the debenture trustee and confirmation by the trustee.

RELAXATION IN PROVIDING CERTAIN DETAILS

Consultation:

Whether the proposal of determining top 5 vendors on the basis of value i.e. sale consideration payable to the vendors is appropriate and adequate?

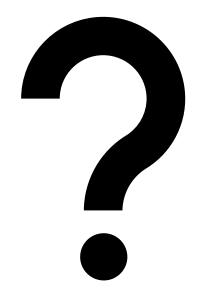




RELAXATION IN PROVIDING CERTAIN DETAILS

Consultation:

Whether the proposal of specifying that details of the remaining vendors may be provided by way of QR code and weblink in the offer document. Further, the said details may be provided to the debenture trustee and also kept available for inspection as per schedule I of the NCS Regulations is appropriate and adequate?





RELAXATION IN PROVIDING CERTAIN DETAILS

Consultation:

Whether the proposal there should be a checklist item as part of the *'Security and Covenant Monitoring System'*, wherein the issuer confirms provision of the information to the debenture trustee and debenture trustee confirms receipt of information in this regard is appropriate and adequate?





FLEXIBILITY IN ATTESTATION OF OFFER DOCUMENTS

Current Provision:

All directors must attest declarations regarding compliance with various acts and regulations.

Proposed Change:

Allow attestation by senior management by any of the following:

- The Chairperson and compliance officer; or
- MD & CEO and compliance officer; or
- The CFO and compliance officer; or
- WTD and compliance officer; or
- Jointly by two KMP.

However, Final and ultimate responsibility of Board of Directors.



RELAXATION IN PROVIDING CERTAIN DETAILS

Consultation:

Whether the proposal of the attestation of declaration as specified in NCS Regulations by any of the following is appropriate and adequate?

- (a) the executive Chairperson and compliance officer, or
- (b) MD & CEO and compliance officer or
- (c) the CFO and compliance officer or
- (d) whole-time director and compliance officer or

(e) Jointly by any 2 KMP.





MODIFICATION OF TIMELINE FOR PAYMENT OBLIGATION STATUS

Current Provision:

Submission of status within one working day for nonconvertible securities; two days for commercial paper.

Proposed Change:

The timeline for submitting the status of payment obligations for listed commercial paper will be aligned with the LODR Regulations, requiring submission within one working day of payment becoming due.



MODIFICATION OF TIMELINE FOR PAYMENT OBLIGATION STATUS

Consultation:

Whether the proposal of aligning the timeline for intimating to Stock Exchanges regarding the status of payment of interest/ repayment of principal for listed commercial paper with Regulation 57 of LoDR Regulations, i.e. within one working day of the payment being due is appropriate and adequate?





