



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India



Introduction to REITS and InvITs



DISCLAIMER

- The information contained in this material is for only educational and awareness purposes related to securities market and shall be used for non-profitable educational and awareness activities for general public.
- No part of this material can be reproduced or copied in any form or by any means or reproduced on any disc, tape, perforate media or other information storage device, etc. without acknowledging the SEBI or Stock Exchanges or Depositories.
- SEBI or Stock Exchanges or Depositories shall not be responsible for any damage or loss to any one of any manner, from use of this material.
- Every effort has been made to avoid errors or omissions in this material. For recent market developments and initiatives, readers are requested to refer to recent laws, guidelines, directives framed thereunder and other relevant documents, as being declared from time to time. For any suggestions or feedback, you may send the same to visitsebi@sebi.gov.in.



Real Estate Investment Trust (REITs)

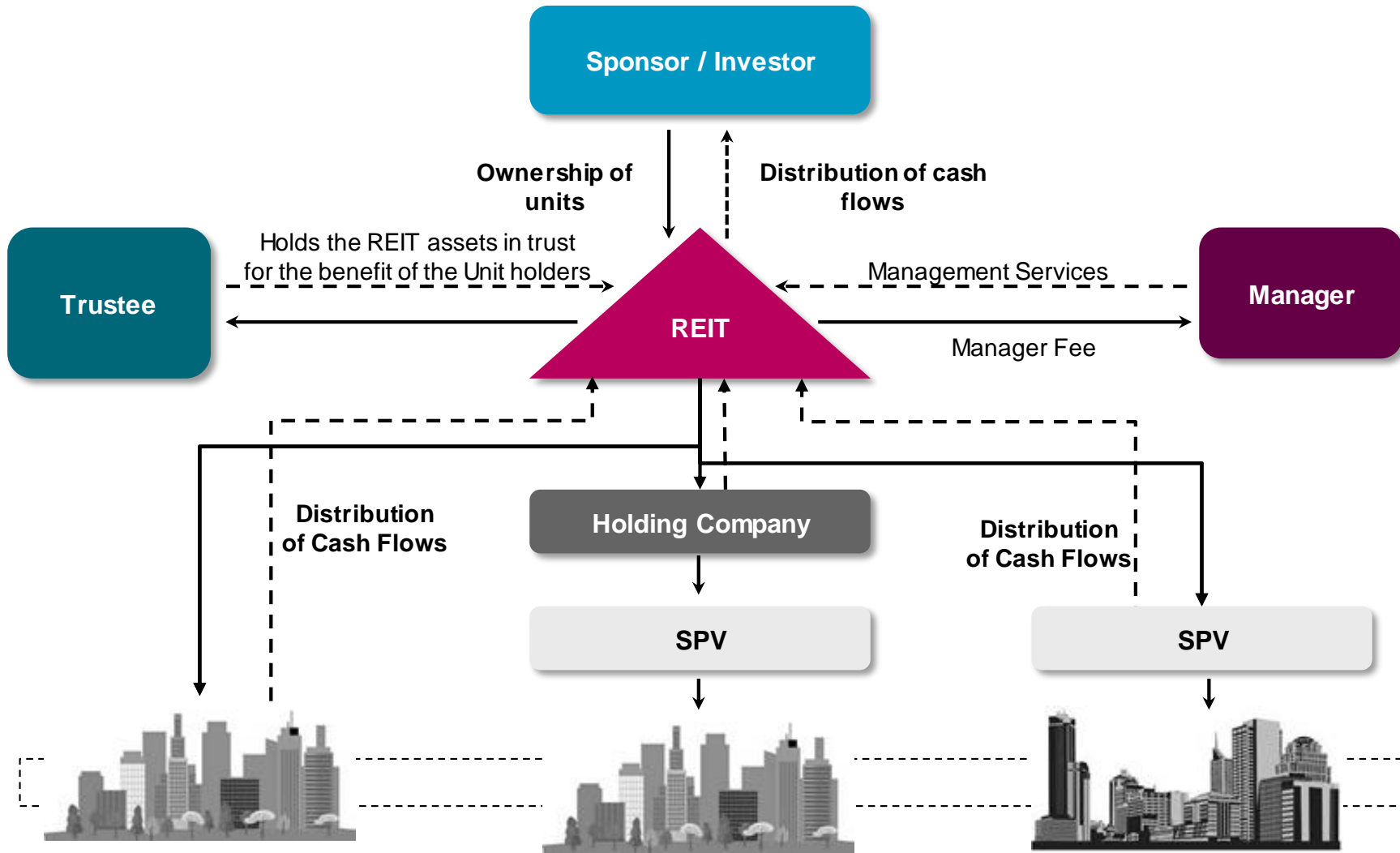


What is a REIT ?- Overview

- REIT stands for 'Real Estate Investment Trust'.
- REITs own, operate and manage a portfolio of income generating real estate assets.
- REITs give investors access to the benefits of owning high-quality real estate assets in small ticket sizes.
- REITs are listed on the stock exchanges and investors can buy REIT units just like they would buy shares of any listed company.
- REITs are regulated investment structures that **MUST** pay out 90% of the Net Distributable Cash Flows (NDCFs).
- Indian REITs have adopted stringent corporate governance standards, with transparent quarterly and semi-annual reporting, robust related party safeguards, caps on leverage, and professional management teams.

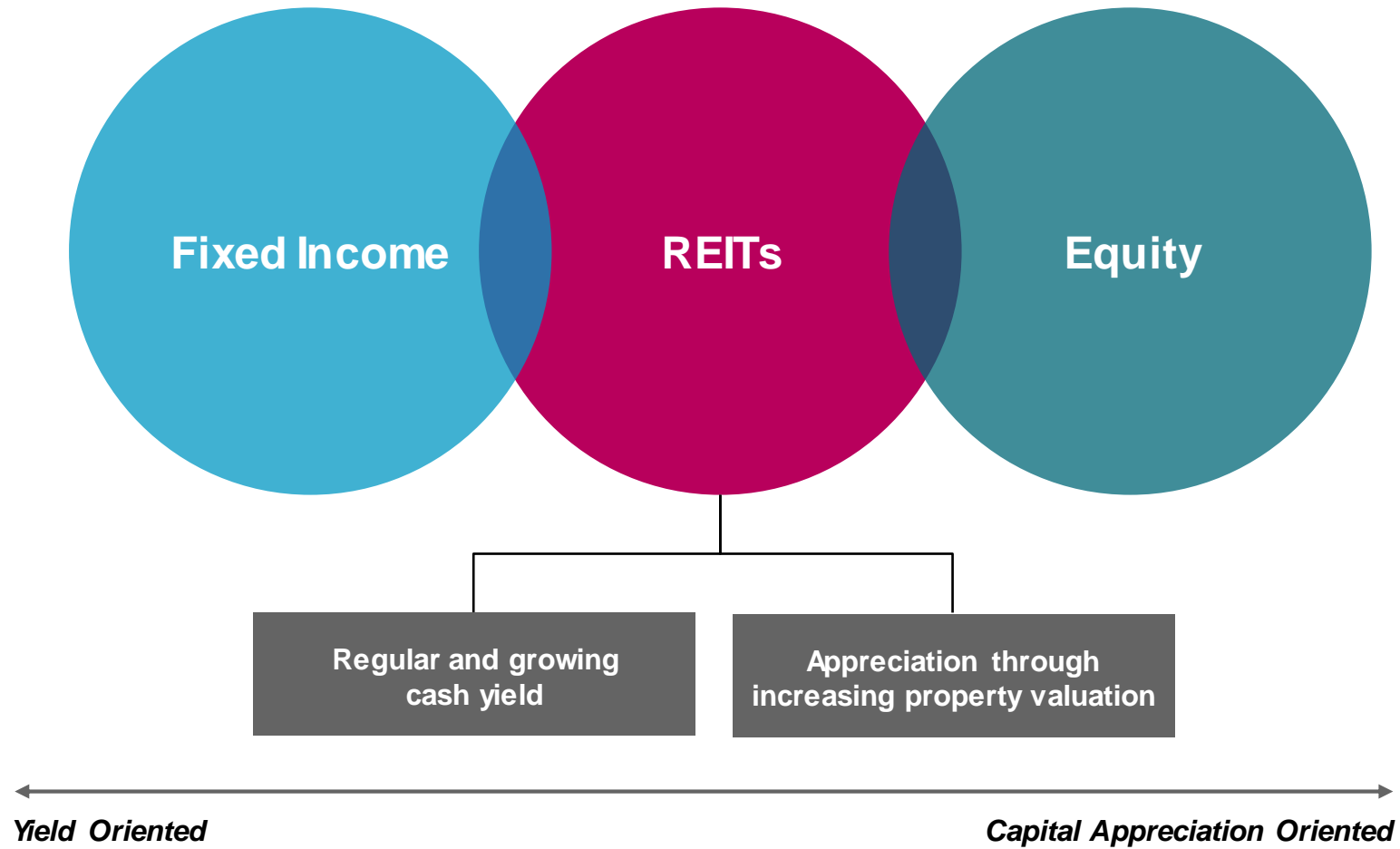


Structure of REIT





REITs – A Hybrid Product between Equity and Fixed Income





Details of Listed REITs

	Embassy Office Parks	Mindspace Business Parks
Ticker (NSE)	EMBASSY	MINDSPACE
Ticker (BSE)	542602	543217
Listing Date	April 01, 2019	August 07, 2020
Market Capitalization ¹	₹ 28,386 crores	₹ 17,802 crores
Sector Focus	Office	Office
Geographic Focus	Bengaluru, Mumbai, Pune, Noida	Mumbai, Hyderabad, Pune, Chennai
Total Leasable Area ²	33.3 msf	29.5 msf
Leased Area ²	24.2 msf	21.2 msf
Sponsors	Blackstone, Embassy Group	K Raheja Corp



Who can Invest in REITs?

- Any investor (domestic / foreign / retail / institutional) can buy REIT units in India
- Minimum lot size of 200 units (and multiples thereof)
- Unit-holders can purchase REIT units through a Demat account, similar to how they would purchase equity shares
- REIT units can be bought / sold freely on Stock Exchange platform
- Investors can also buy REIT units through participation in REIT IPO whenever a REIT gets listed



Benefits of Investing in REITs?

Liquidity

REIT units are freely traded in stock markets like equity shares

Transparency

Strong governance framework and disclosure requirements from SEBI

Asset Quality

Fractional ownership in professionally-managed Grade A commercial assets

Distributions

Income stability due to requirement to distribute at least 90% of cash flows semi-annually

Performance

Upside participation in capital appreciation from organic / inorganic growth

Diversification

Investment in a high-quality diversified portfolio across sectors / cities



Comparative Analysis Vis-à-vis traditional investments

	REIT Units	Direct Investment in Real Estate	Real Estate Equity Shares
Investment Characteristics	<ul style="list-style-type: none"> ▶ Minimum lot size of 200 units ▶ Freely transferable listed securities ▶ Professionally managed ▶ No entry / exit load 	<ul style="list-style-type: none"> ▶ ₹ 25-200 crores investment ▶ Illiquid & non-transparent market ▶ Hassles in managing assets ▶ Transaction costs involved 	<ul style="list-style-type: none"> ▶ Minimum lot size of 1 share ▶ Freely transferable listed securities ▶ Professionally managed ▶ No entry / exit load
Asset and Tenant Quality	<ul style="list-style-type: none"> ▶ Usually grade A assets in prime locations, primarily office ▶ Multiple marquee tenants across sectors 	<ul style="list-style-type: none"> ▶ Usually strata interests in standalone buildings ▶ Usually exposed to single tenant risk 	<ul style="list-style-type: none"> ▶ Usually grade A / B assets with a mix of office / residential / retail ▶ Multiple tenants across sectors
Return Profile	<ul style="list-style-type: none"> ▶ Returns driven by capital appreciation and regular cash distribution (90% mandatory) 	<ul style="list-style-type: none"> ▶ Returns driven by a timely and profitable exit 	<ul style="list-style-type: none"> ▶ Returns driven by capital appreciation and dividends (NOT mandatory)
Tax Efficiency	<ul style="list-style-type: none"> ▶ Dividends are tax exempt 	<ul style="list-style-type: none"> ▶ Dividends are taxable 	<ul style="list-style-type: none"> ▶ Dividends are taxable
Leverage Profile	<ul style="list-style-type: none"> ▶ Restricted to 49% Net debt / Total Enterprise Value 	<ul style="list-style-type: none"> ▶ No restrictions 	<ul style="list-style-type: none"> ▶ No restrictions
Governance Standard	<ul style="list-style-type: none"> ▶ High 	<ul style="list-style-type: none"> ▶ High 	<ul style="list-style-type: none"> ▶ Lower than REIT standards
Risk Profile	<ul style="list-style-type: none"> ▶ Lower than other commercial real estate vehicles 	<ul style="list-style-type: none"> ▶ High 	<ul style="list-style-type: none"> ▶ Higher than REIT profile



What Assets Can a REIT Own?

Rental income

earning real estate projects

Commercial Sectors

Offices, hotels, retail, industrial, healthcare

NOT PERMITTED

Residential (houses, apartments)

Speculative landbank

Min. 80%

completed & income producing assets

Max. 20%

under-construction assets

Leverage Restrictions

Unitholder approval needed for Debt to Capitalization above 25%

Debt to Capitalization capped at 49%



How do REITs Generate and Distribute Income?

Rental income is generated from underlying real estate assets held in the portfolio

Asset Quality

- ▶ High-quality institutional grade commercial properties in key metro cities attract premium rentals

Tenant Quality

- ▶ Diversified and high-credit quality tenants generally pay rentals on time

Lease Term

- ▶ Stable cash flows due to long-term nature of lease contracts

Minimum 90% of the available NDCF is **REQUIRED** to be distributed to unitholders (at least semi-annually)



Disclosures to Unit-holders by the REIT

Investors are advised to regularly refer to the disclosures / communications sent by the REIT and stay aware about their investments

Earnings Materials

Published quarterly and benchmarked to global disclosure standards

Earnings Call

Held quarterly by management

Half-yearly Report

*Published semi-annually
(NOT Required by Listed Companies)*

Independent REIT Valuation

Conducted half-yearly

Unitholder Meetings & Webinars

Held throughout the Year

Annual Meeting

Held once a year



Infrastructure Investment Trusts (InvITs)

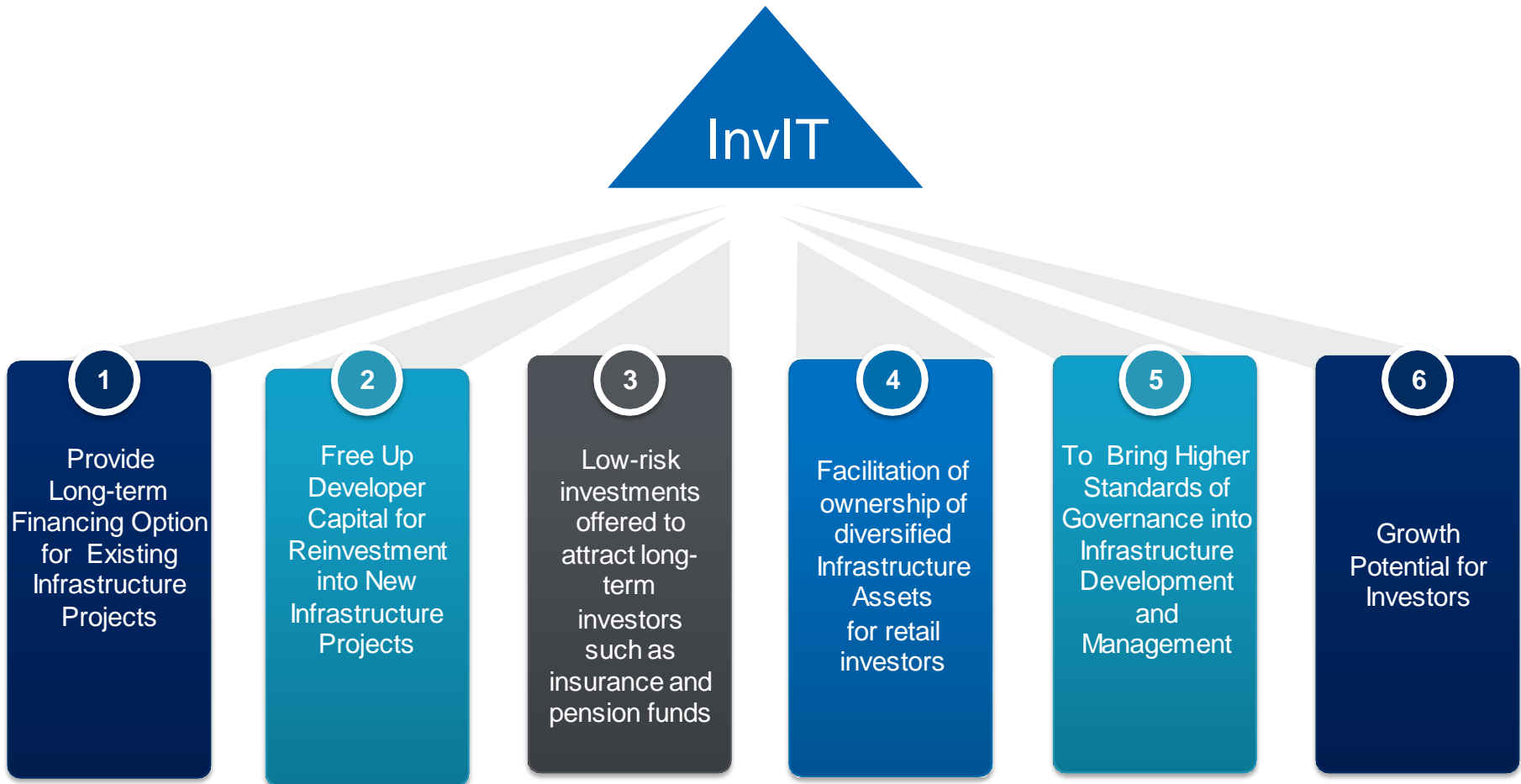


What are InvITs

- Purpose : encouraging and providing additional financing for investment in the infrastructure sector in India
- Supports diversification of ownership of infrastructure assets such as power transmission, roads, ports, renewable projects
- The trust is created by the Sponsor, the ownership of the property vests in the Trustee and the beneficiaries of the trust are the Unitholders.
- InvITs aim to provide stable long term cash flows to its unitholders; suited for long term capital such as Pension Funds and Insurance Companies



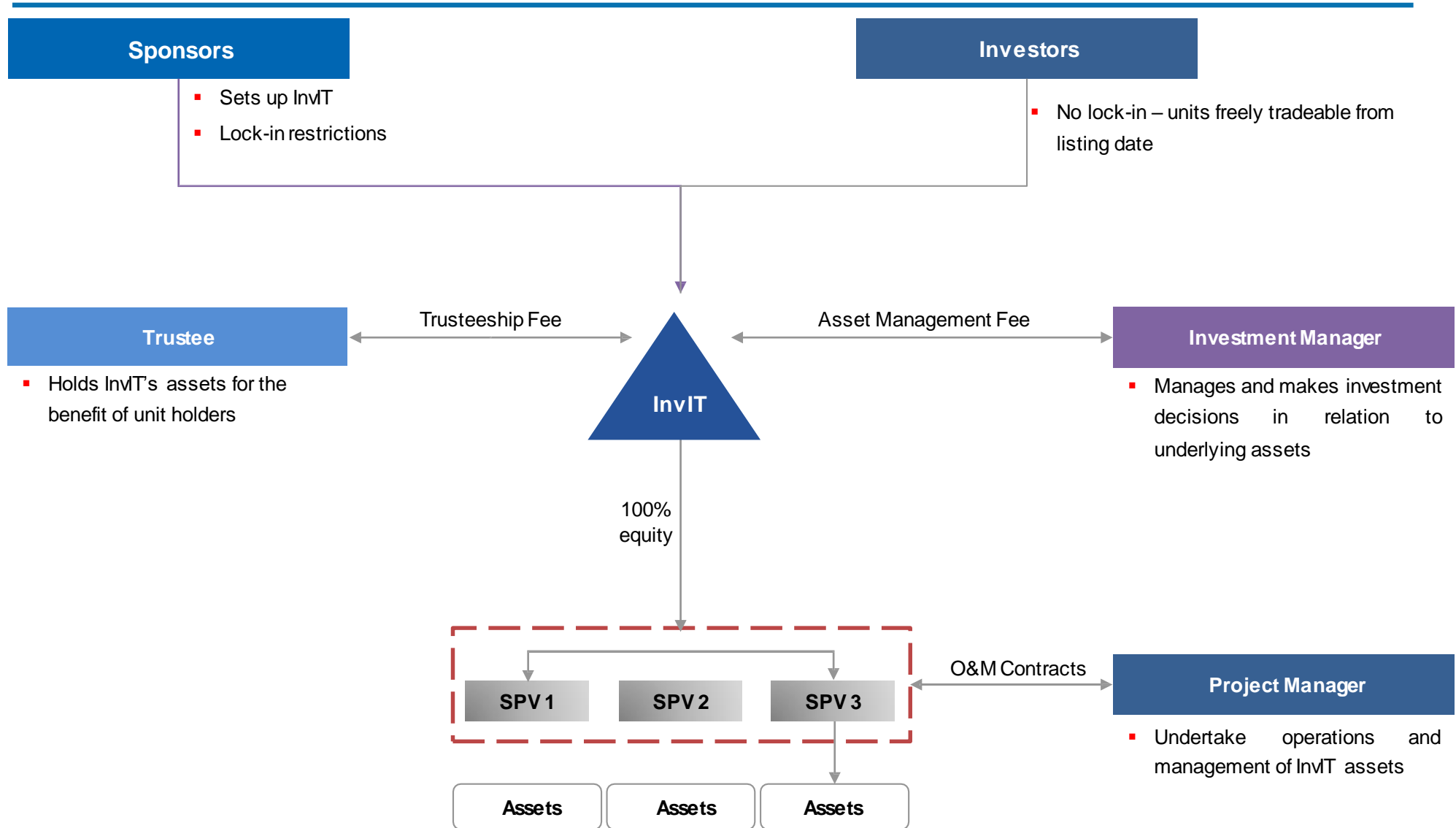
Benefits of investing in InvITs



InvITs facilitate creation of infrastructure assets by providing better financing and ownership opportunity while generating healthy returns for investors



Structure of InvITs





Key parties in InvITs

Sponsor

- Author of the trust
- Required to hold at least 15% of the total InvIT units for a period of 3 years from the date of listing of such units

Trustee

- Independent debenture trustee registered with SEBI and responsible for holding the InvIT assets in trust for, and for the benefit of, the unit holders of the InvIT
- Oversees some of the activities of the project manager (and the investment manager)

Investment Manager

- Responsible for the day-to-day management of the InvIT and its activities
- Makes investment decisions
- Ensures redressal of investor grievances

Project Manager

- Responsible for the execution and management of the project assets held by the InvIT
- Undertakes operation and management of the InvIT
- Oversees projects operations / maintenance / construction



Types of InvITs

Based on the mode of issuance, there can be three types of InvITs:

Publicly offered listed InvITs

- Units offered to public (min 20 investors)
- Minimum investment and trading lot – Rs. 1 lakh

Privately placed listed InvITs

- Only to institutional investors (min 5, max 1000 investors)
- Minimum investment (Rs. 1 crore/ 25 crore) and trading lot (Rs. 1 crore/ 2 crore)

Privately placed unlisted InvITs

- Only to institutional investors (max 1000 investors)
- Minimum investment (Rs. 1 crore)



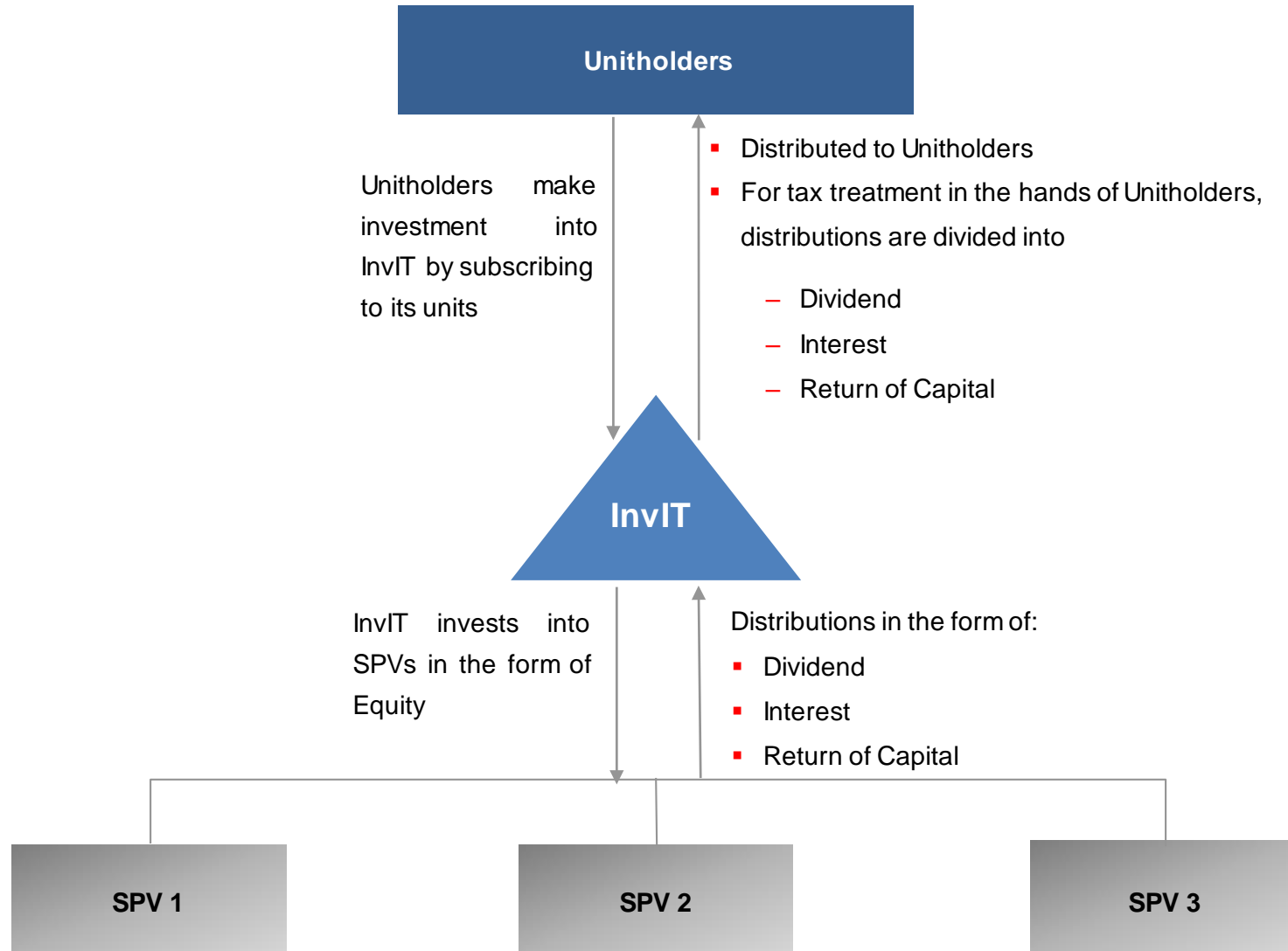
Details of InvITs

- List of Indian InvITs and the sectors in which they have invested is give below:

Public InvITs	Private listed InvITs	Private unlisted InvITs
IRB InvIT Fund (Highways)	Indinfravit Trust (Highways)	IRB Infrastructure Trust (Highways)
India Grid Trust (Power Transmission)	Oriental InfraTrust (Highways)	Digital Fibre Infrastructure Trust (Telecom – Fibre Optic)
	India Infrastructure Trust (Gas Transmission)	
	Tower Infrastructure Trust (Telecom Towers)	



Cash flow in InvITs : An illustration





Where can an InvIT invest its funds ?

- At least 80% of the value of a public InvIT to be invested in '**completed and revenue-generating**' infrastructure projects.
- A maximum of 20% of the total value of InvITs can be from:
 - Under construction infrastructure projects
 - Listed or unlisted debt of the companies in the infrastructure sector (other than debt of Hold Co/SPV)
 - Equity of listed companies in India generating at least 80% of their income from the infrastructure sector
 - Government securities, money market instruments, liquid mutual funds or cash equivalents
- Privately placed InvIT can have any mix of under construction and completed infrastructure projects.



Rights of unit holders in InvITs

- Right to receive returns through cash distributions made by the trust
- Rights to vote on matters pertaining to acquisition of new assets or borrowing
- Right to vote on related party matters
- Right to vote on matters such as appointment or change of the Investment Manager
- Right to vote on induction of a Sponsor, with the opportunity to exit for dissenting voters
- Right to vote on exit of Sponsor
- Right to receive periodic disclosures like annual report, valuation report, quarterly/ semi-annual financials etc



Thank You