

SEBI further liberalizes REITs

October 13, 2017

The Securities and Exchange Board of India (SEBI) on 18 September notified decisions it has taken in relation to regulations governing real estate investment trusts (REITs) and infrastructure investment trusts (InvITs).

REITs, which were until the notification not allowed to raise debt by issuing debt securities, are now allowed to do so. REITs are permitted to advance loans to their holding companies, or their special purpose vehicle subsidiaries. This allows REITs to lend to non-corporates such as limited liability partnerships as well.

The concept of “strategic investors” applicable to InvITs is now applicable to REITs. This means that a REIT may raise money by issuing securities to strategic investors at the time of public issuance, helping minimize the risk of undersubscription.

The current requirement of a REIT having a minimum two assets that should cumulatively be worth more than ₹5 billion (US\$76 million), has been done away with. Additionally, a REIT may now have only one asset.

The definition of a valuer (who is entrusted with the responsibility of undertaking periodical valuation of assets) in relation to both REITs and InvITs is proposed to be amended. However, SEBI’s press release does not mention what the proposed changes are.

The business law digest is compiled by Nishith Desai Associates (NDA). NDA is a research-based international law firm with offices in Mumbai, New Delhi, Bengaluru, Singapore, Silicon Valley and Munich. It specializes in strategic legal, regulatory and tax advice coupled with industry expertise in an integrated manner.