

CIRCULAR

SEBI/HO/DDHS/PoD2/P/CIR/2023/106

June 27, 2023

To

All Real Estate Investment Trusts

All Parties to the REIT

All Recognized Stock Exchanges

Madam / Sir,

Sub: Manner of achieving minimum public unitholding - REITs

1. Regulation 14(2A) of SEBI (Real Estate Investment Trusts) Regulations, 2014 ("REIT Regulations") *inter-alia* mandates that any listed REIT which has public unitholding below twenty-five percent, shall increase its public unitholding to at least twenty-five percent within a period of three years from the date of listing of units pursuant to initial offer.
2. In order to facilitate REITs to achieve minimum public unitholding compliance as required under REIT Regulations, Manager of the REIT shall adopt any of the following methods:

No.	Method	Specific conditions, if any, applicable
1.	Issuance of units to public through offer document	-
2.	Offer for sale of units held by Sponsor(s) / Manager / and their associates/related parties and Sponsor Group to public through offer document	-
3.	Offer for sale of units held by Sponsor(s) / Manager / and their associates/related parties and Sponsor Group through the Stock Exchange	-

No.	Method	Specific conditions, if any, applicable
	mechanism i.e., the secondary market, in terms of circular reference No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2023/10 dated January 10, 2023.	
4.	Rights issue to public unitholders	Sponsor(s) / Manager / and their associates/related parties and Sponsor Group unitholders shall forgo their entitlement to units that may arise from such issue.
5.	Bonus Issue to public unitholders	Sponsor(s) / Manager / and their associates/related parties and Sponsor Group unitholders shall forgo their entitlement to units that may arise from such issue.
6.	Allotment of units under Institutional placement	
7.	Sale of units held by Sponsor(s) / Manager / and their associates/related parties and Sponsor Group in the open market in any one of the following ways, subject to compliance with the conditions specified: i. Sponsor(s) / Manager / and their associates/related parties and Sponsor Group can sell up to 2% of the total paid-up unit capital of the REIT,	i. Sponsor(s) / Manager / and their associates/related parties and Sponsor Group can use either the mechanism specified at Sl. No. 7(i) or 7(ii) to comply with minimum public unitholding requirements, but not both. ii. The Manager of the REIT shall, at least one trading day prior to every such proposed sale, announce the following details to the stock exchange(s) where its units are listed: a) the intention of the Sponsor(s) / Manager/ and their associates/ related parties and Sponsor Group to sell and the purpose of sale;

No.	Method	Specific conditions, if any, applicable
	subject to five times' average monthly trading volume of the units of the REIT, every financial year till the due date for minimum public unitholding requirement as per REIT Regulations (or) ii. Sponsor(s) / Manager / and their associates/related parties and Sponsor Group can sell upto a maximum of 5% of the paid-up unit capital of the REIT during a financial year subject to the condition that the public unitholding in the REIT shall become 25% after completion of such sale. The sale can be a single tranche or in multiple tranches not exceeding a period of 12 months and the amount of units to be sold shall not exceed the trading volume of the units of the REIT during the	b) the details of Sponsor(s) / Manager/ and their associates/ related parties and Sponsor Group, who propose to divest their unitholding; c) total number of units and percentage of unitholding in the REIT that is proposed to be divested; and d) the period within which the entire divestment process will be completed. iii. The Manager of the REIT shall also give an undertaking to the recognized stock exchange(s) obtained from the Sponsor(s) / Manager/ and their associates/ related parties and Sponsor Group that they shall not buy any units in the open market on the dates on which the units are being sold by them as stated above. iv. The REIT, its Sponsor(s) / Manager/ and their associates/ related parties and Sponsor Group shall ensure compliance with all applicable legal provisions including that of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and REIT Regulations.

No.	Method	Specific conditions, if any, applicable
	preceding 12 months from the date of announcement.	
8.	Transfer of units held by Sponsor(s) / Manager / and their associates/related parties and Sponsor Group to an Exchange Traded Fund (ETF) managed by a SEBI-registered mutual fund, subject to a maximum of 5% of the paid-up unit capital of the REIT.	The Manager of the REIT shall, at least one trading day prior to such proposed transfer, announce the following details to the stock exchange(s) where its units are listed: i. the intention of the Sponsor(s) / Manager/ and their associates/ related parties and Sponsor Group to transfer units and the purpose of such transfer; ii. the details of Sponsor(s) / Manager/ and their associates/ related parties and Sponsor Group who propose to transfer their units in the REIT; iii. total number of units and percentage of unitholding proposed to be transferred; and iv. Details of the ETF to which units are proposed to be transferred by the Sponsor(s) / Manager/ and their associates/ related parties and Sponsor Group. The Manager of the REIT shall also give an undertaking to the recognized stock exchange(s) obtained from the Sponsor(s) / Manager/ and their associates/ related parties and Sponsor Group that they shall not subscribe to the units of such ETF to which units have been transferred by Sponsor(s) / Manager / and their associates/related parties

No.	Method	Specific conditions, if any, applicable
		and Sponsor Group entities for the purpose of MPS compliance.
9.	Any other method as may be approved by the Board on a case to case basis.	The Manager of the REIT shall approach the Board with an application containing relevant details to obtain prior permission. The Board would endeavour to communicate its decision within thirty days from the date of receipt of the proposal or the date of receipt of additional information as sought from the Manager of the REIT.

- The Stock Exchange(s) shall monitor the methods adopted by REITs to increase their public unitholding and comply with minimum public unitholding requirements in terms of this circular. Non-compliance, if any, observed by the Stock Exchange(s) with respect to the method(s) and / or conditions prescribed herein, shall be reported to SEBI on a quarterly basis.
- This Circular is issued in exercise of the powers conferred under sections 11(1) of the Securities and Exchange Board of India Act, 1992 read with Regulation 14(2A) and 33 of REIT Regulations. This circular is issued with the approval of the competent authority.
- This circular is available at www.sebi.gov.in under the link “Legal” and “Circulars”.
- The recognized Stock Exchanges are advised to disseminate the contents of this Circular on their website.

Yours faithfully,

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