भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CONSULTATION PAPER

DEPARTMENT OF DEBT AND HYBRID SECURITIES – POD II

CONSULTATION PAPER ON MEASURES TOWARDS EASE OF DOING BUSINESS FOR REITS AND INVITS

August 06, 2026

भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

Timeline to Respond

Comments on the Consultation paper (CP) may be sent by August 27, 2026

CONTENTS

1. OBJECTIVE AND BACKGROUND

1.1. The objective of this consultation paper is to seek comments from the public on various ease of doing business ("EoDB") measures related to Real Estate Investment Trusts ("REITs") and Infrastructure Investment Trusts ("InvITs").

1.2. The proposals made in the consultation paper are based on the inputs received from industry associations (i.e. the Indian REITs Association ["IRA"] and Bharat InvITs Association ["BIA"]) and recommendations of the Hybrid Securities Advisory Committee ("HYSAC").

1.3. The matters consulted in this paper are as under:

1. Permitting investment in third party projects by REITs and InvITs without controlling interest
2. Manner of computation of threshold for unitholder approvals for certain matters
3. Review of framework related to exit offer in case of change in sponsor
4. Recognition of remote common infrastructure as real estate (For REITs).
5. Reducing Cooling Off Period for Offer for Sale for Private listed InvITs (For InvITs)

1.4. The detailed proposals related to aforementioned matters are mentioned in paragraphs 2 to 6 of this consultation paper.

2. *Permitting investment in third party projects by REITs and InvITs without controlling interest*

2.1. BACKGROUND

2.1.1. The extant regulations do not permit investment in SPVs from third parties without controlling interest (i.e. majority board representation and majority ownership) of REIT/InvIT.

2.1.2. Industry Associations have requested to permit investment in third party projects without controlling interest particularly for under construction projects within the existing limits for investment in under construction projects.

2.2. EXTANT REGULATORY PROVISION

2.2.1. Regulation 18(5)(b)(i) of the InvIT Regulations reads as under –

"not more than twenty per cent. of value of the InvIT assets, shall be invested in, –

(i) under-construction infrastructure projects, whether directly or through holdco and/ or SPVs:

Provided that investment in such assets shall not exceed ten per cent. of the value of the InvIT assets;

…."

2.2.2. Regulation 18(5)(a) of the REIT Regulations reads as under –

Not more than twenty per cent. of value of the REIT assets shall be invested in assets other than as provided in sub-regulation (4) and such other investment shall only be in,-

(a) properties, whether directly or through a company or LLP, which are:

(i) under-construction properties which shall be held by the REIT for not less than three years after completion;

(ii) under-construction properties which are a part of the existing income generating properties owned by the REIT which shall be held by the REIT for not less than three years after completion;

(iii) completed and not rent generating properties which shall be held by the REIT for not less than three years from date of purchase;

2.3. REPRESENTATION RECEIVED FROM INDUSTRY ASSOCIATION

2.3.1. There is a need for structured capital during the development phase of a project. Hence, REITs and InvITs may be allowed to invest in under-construction projects without controlling interest within the existing limits of under construction exposure permitted under the regulations.

2.3.2. Investing a minority stake in under construction assets would enable REITs and InvITs to build a pipeline of stable, revenue-generating assets while minimizing exposure to construction-related risks.

2.4. CONSIDERATION OF PROPOSAL

2.4.1. Allowing REITs and InvITs to invest in minority stakes of under-construction assets may provide a strategic mechanism for long-term growth. Hence, it is proposed that REITs and InvITs may be allowed to invest in under construction projects within the existing limits available for investment in under construction projects without controlling interest.

2.4.2. Notably, REITs and InvITs would hold a non-controlling stake in such investee entities at the beginning with an intent to convert these entities into SPVs in future. Hence, to ensure simpler structure and to facilitate better understanding for unitholders, it is proposed that such investments may be made only at REIT/InvIT level and not at the level of SPV or Holdco.

2.4.3. Further, such investments are made with an intent to convert these investments in SPVs. Hence, there should be a clear commitment and glide path to achieve required stake in such entity in future to qualify such investments as HoldCo/SPV.

2.4.4. Also, to ensure implementation of such glide path, the REIT/InvIT should enter into a binding agreement with the shareholders of such investee entity to ensure that decisions taken by such shareholders are not in contravention to the aforementioned glide path proposed by REIT/InvIT. Further, the binding agreement shall require the shareholders of the SPV to ensure that board of investee entity passes a resolution approving the glide path proposed by the InvIT/REIT.

2.4.5. Further, such investments by REITs/InvITs may be restricted to only companies that engage in any activity pertaining to and incidental to the underlying real estate/infrastructure and hold not less than 80%/90%[1] of its assets in real estate/infrastructure projects for REITs/InvITs respectively.

2.4.6. In view of the feedback received from industry and HySAC, such non-controlling investments shall be permitted only for investments in third party projects. Accordingly, there should be no shareholding or interest/rights of sponsor and sponsor group entities in investee entity. This is also in alignment with the similar requirement for investments in SPVs/Holdcos in the extant regulations.

2.5. PROPOSALS

2.5.1. It is proposed that InvIT and REIT Regulations shall be amended to permit InvITs and REITs to invest in under construction projects without

[1] This is in line with the definition of SPV in REIT and InvIT Regulations wherein minimum 80% of the assets shall be held in real estate projects in case of REITs and 90% of the assets shall be held in infrastructure projects in case of InvIT.

controlling interest within the existing limits available for investments in under construction projects subject to the following conditions:

a) Such investments may be restricted to only those investee entities that engage in any activity pertaining to and incidental to the underlying real estate/infrastructure and hold not less than 80%/90%[2] of its assets in real estate/infrastructure projects for REITs/InvITs respectively.

b) There should be a clear commitment and glide path to achieve required stake in such entity in future to qualify such investments as HoldCo/SPV

c) There shall be a binding agreement between the shareholders of the investee entity and the REIT/InvIT to ensure that decisions taken by such shareholders are not in contravention to the aforementioned glide path proposed by InvIT/REIT.

d) The binding agreement shall require the shareholders of the investee entity to ensure that board of investee entity passes a resolution approving the glide path proposed by the InvIT/REIT.

e) There should be no shareholding or interest/rights of sponsor and sponsor group entities in such investee entity.

f) Such investment shall be approved by the Board of Investment Manager/Manager

2.5.2. Regulation 18(5)(b)(i) of InvIT Regulations is proposed to be amended as under (underlined and in red color) –

"not more than twenty per cent. of value of the InvIT assets, shall be invested in, –

(i) under-construction infrastructure projects, whether directly or through holdco and/ or SPVs and/or investee entity(ies):

[2] This in line with the definition of SPV in REIT and InvIT Regulations wherein minimum 80% of the assets shall be held in real estate projects in case of REITs and 90% of the assets shall be held in infrastructure projects in case of InvIT.

Provided that investment in such assets shall not exceed ten per cent. of the value of the InvIT assets;

Provided further that such investment by an InvIT in an investee entity shall be subject to conditions prescribed by the Board.

Explanation: Investee entity for the said purpose would mean a company or body corporate or LLP which:

(a) holds not less than ninety per cent. of its assets directly in infrastructure projects.

(b) holds or proposes to hold one or more under-construction project

(c) is not engaged in any activity other than the activities pertaining to and incidental to the underlying infrastructure projects

2.5.3. Regulation 18(5)(a) of the REIT Regulations proposed to be amended as under (underlined and in red color) –

Not more than twenty per cent. of value of the REIT assets shall be invested in assets other than as provided in sub-regulation (4) and such other investment shall only be in, -

(a) properties, whether directly or through a holdco and/ or SPVs and/or investee entity(ies) ~~company or LLP~~, which are:

(i) under-construction properties which shall be held by the REIT for not less than three years after completion;

(ii) under-construction properties which are a part of the existing income generating properties owned by the REIT which shall be held by the REIT for not less than three years after completion;

(iii) completed and not rent generating properties which shall be held by the REIT for not less than three years from date of purchase;

Provided that such investment by a REIT in an investee entity shall be subject to conditions prescribed by the Board.

Explanation: Investee entity for the said purpose would mean a company or body corporate or LLP which:

(d) *holds not less than eighty per cent. of its assets directly in properties.*

(e) *holds or proposes to hold one or more under-construction project*

(f) *is not engaged in any activity other than holding and developing property and any other activity incidental to such holding or development*

2.5.4. Further the following conditions may be mandated and specified on such investments via amendment to Master Circular on InvITs and REITs:

a) There should be no shareholding or interest/rights of sponsor and sponsor group entities in such investee entity.

b) There is a clear commitment and glide path by the InvIT/REIT to achieve required stake in future to make such investments qualify as HoldCo/SPV in compliance with the Regulations.

c) InvIT/REIT shall enter into a binding agreement with the other shareholders or partners of such investee entity to ensure that decisions taken by such shareholders or partners of Investee Entity are not in contravention to the aforementioned glide path proposed by InvIT.

d) The abovementioned binding agreement shall require the shareholders or partners to ensure that board of investee entity passes a resolution approving the glide path proposed by the InvIT/REIT.

e) Such investment shall be approved by the board of Investment Manager/Manager

2.6. **RECOMMENDATION OF HYSAC**

The above proposals are made based on the recommendations of the HYSAC.

Consultation 1: Permitting investment in third party projects by REITs and InvITs without controlling interest.

Kindly provide your comments along with supporting rationale on the following proposals:

(a) Amendment in the Regulation 18(5)(a) of the REIT Regulations and Regulation 18(5)(b)(i) of InvIT Regulations to facilitate minority investment in under construction infrastructure projects/real estate projects

(b) Conditions proposed to be specified for such investments

3. *Manner of computation of threshold for unitholder approvals for certain matters*

3.1. BACKGROUND

3.1.1. The InvIT Regulations and REIT Regulations and circulars issued thereunder prescribe the requirement of obtaining unitholder approval of seventy five per cent by value for certain matters.

3.1.2. Industry Associations have submitted representation highlighting challenges in achievement of threshold of seventy five percent by value for these matters

3.2. EXTANT REGULATORY PROVISION:

3.2.1. The matters which require seventy five per cent unitholder approval by value are as below:

a) Matters applicable for both REITs and InvITs

i. Acquisition of units exceeding twenty-five per cent of the outstanding units of InvIT/REIT *(ref: Regulation 22(5C) of InvIT Regulations/Regulation 22(6A) of REIT Regulations)*

ii. Change in sponsor or Change in control of sponsor or Conversion of Manager/Investment Manager to Self-Sponsored Manager/Investment Manager *(ref: Regulation 22(7)(a) of InvIT Regulations/Regulation 22(8)(a) of REIT Regulations)*

b) Matters applicable for only InvITs

i. Total Borrowings exceeding 49% of the value of InvIT’s assets (*ref: Regulation 22(5A) of InvIT Regulations)*

ii. Conversion of private listed InvIT into public listed InvIT (*ref: Para 14.3.1(e) of Chapter 14 of Master Circular for InvITs dated Jul 11, 2025 (“InvIT Master Circular”)*

3.2.2. The basis of unitholder approval for these matters is mentioned as follows in the respective regulations and respective paragraphs of the Master Circular:

"……. approval from <u>seventy five per cent of the unit holders by value</u>…."

3.3. REPRESENTATION RECEIVED FROM INDUSTRY ASSOCIATIONS

3.3.1. Securing approval of seventy five per cent unitholders by value is challenging due to the diverse mix of unitholders and absence of voting by certain unitholders.

3.3.2. Adopting a more practical threshold computation on the basis of total votes cast for the resolution will ensure smoother approval processes and will continue to give equal right and opportunity for all unitholders to participate and vote.

3.4. CONSIDERATION OF PROPOSAL

3.4.1. For all unitholders resolutions of REITs and InvITs, the unitholders have an option of remote electronic voting. Hence, a unitholder can easily participate in the voting process. Thus, the basis of threshold for unitholder approval for these matters may be changed to 'total votes cast for the resolution' instead of 'value'.

3.4.2. Further, a change in computation basis would also align with provisions of Companies act, 2013 where thresholds for ordinary and special resolutions are based on a total votes cast for the resolution.

3.5. PROPOSAL

3.5.1. It is proposed that the threshold for unitholders approval for above matters may be amended to provide that votes cast in favour of the resolution shall be at least 75% of the total votes cast for the resolution.

3.5.2. Hence, the basis of unitholder approval for these matters may be amended as follows in the respective regulations and respective paragraphs of the Master Circular as referred in Para 3.5.1 above:

"……. approval from the unit holders where votes cast in favour of the resolution shall be at least seventy five per cent of total votes cast for the resolution…."

3.6. **RECOMMENDATION OF HYSAC**

3.6.1. The above proposals are made based on the recommendations of the HYSAC.

Consultation 2: Manner of computation of threshold for unitholder approvals for certain matters ***Kindly provide your comments along with supporting rationale on the following proposals:*** ***(a) Amendment in the basis of threshold for unitholder approval to 'total votes cast for the resolution' instead of 'value' for the aforesaid matters.***

4. Review of framework related to exit offer in case of change in sponsor

4.1. BACKGROUND AND EXTANT REGULATORY PROVISION

4.1.1. Regulation 22(7) of the InvIT Regulations and Regulation 22(8) of the REIT Regulations prescribe the provisions for (i) change in sponsor or inducted sponsor or (ii) change in control of sponsor or inducted sponsor or (iii) conversion to Self-Sponsored Manager/Investment Manager of a REIT/InvIT.

4.1.2. Chapter 11 of the InvIT Master Circular and Chapter 13 of the REIT Master Circular specifies the definition of dissenting unitholders and the manner and mechanism of providing exit option to dissenting unitholders.

4.1.3. The definition of dissenting unitholders under para 11.1.4 of Chapter 11 of InvIT Master Circular reads as under:

11.1.4. "Dissenting unit holders" means unit holders as on the cut-off date who have not voted in favour of the resolution proposed in terms of Regulation 22(5C) or Regulation 22(7) of the InvIT Regulations, <u>irrespective of whether present or not</u>;

Similar provision is stated in Para 13.1.4 of Chapter 13 of REIT Master Circular

4.2. INPUTS RECEIVED FROM INDUSTRY ASSOCIATIONS AND HYSAC

4.2.1. **<u>Change in Definition of "Dissenting Unitholders"</u>**

The Current definition of "dissenting unitholders" considers all unitholders who have not voted in favour of the resolution proposed in terms of the InvIT/REIT regulations as dissenting <u>irrespective of whether they have voted or not</u>. As a result, unitholders who have not even voted are also getting counted as dissenting unitholders. The Industry associations proposed that only unitholders who have exercised the right to vote during the unitholder meeting and voted against the proposed resolution should be considered as a "dissenting unitholders".

4.2.2. **Exit offer obligation in case of exit of any one sponsor in case of REIT/InvIT with multiple sponsors**

In cases where a REIT/InvIT has multiple sponsors and an exit offer obligation is triggered on account of exit of one of such sponsors, there is a need of clarification as to who should give such exit option.

4.2.3. **Maintenance of minimum public unitholding post exit offer**

Currently, the InvIT/REIT Master Circular provide that during an exit offer, only such number of tendered units be accepted on proportionate basis, such that the minimum public unit holding (MPU) post completion of exit option process is maintained. This puts limitation on the number of tendered units that can be accepted and may not facilitate complete exit for a dissenting unitholder.

Thus, it is suggested that all units tendered must be accepted. Further, in cases where MPU compliance is breached on account of acceptance of tendered units, specific timelines may be provided to re-achieve the MPU compliance after such breach.

4.2.4. **Other minor drafting inputs**

Further, the Industry associations have also suggested minor redrafting in the table detailing timelines for activities pertaining to the exit offer. The changes are suggested to clearly indicate that in case the acquirer is unable to achieve unitholder approval, the exit offer is optional and the subsequent activities related to the exit offer are applicable only when the acquirer decides to go ahead with the proposal in spite of not receiving the unitholder approval.

4.3. CONSIDERATION OF PROPOSAL

4.3.1. **Change in Definition of "Dissenting Unitholders"**

a) For all unitholders resolutions of REITs and InvITs, the unitholders have an option of remote electronic voting. Hence, a unitholder can easily participate in the voting process.

b) Therefore, the definition of Dissenting unitholders may be amended to include only those unitholders who have voted against the proposed resolution.

c) Further, for the benefit of unitholders, an explicit disclaimer shall be included in the notice to unitholders and all communications to unitholders in this regard, mentioning that exit option, if any, shall be offered only to those unitholders who have explicitly voted against the resolution. Such disclaimer shall be prominently highlighted in the unitholder notice and all related communications.

4.3.2. **Exit offer obligation in case of exit of any one sponsor in case of REIT/InvIT with multiple sponsors**

a) In case of a REIT/InvIT with multiple sponsors, all the sponsors are jointly and severally liable for all responsibilities and obligations cast under the Regulations and Circulars issued therein.

b) Hence, the exit offer can be provided by either 'the outgoing sponsor or its sponsor group entities' or 'any of the continuing sponsor or its sponsor group entities'

c) Further, the timelines for activities pertaining to such exit offer is provided in **Annexure-I**.

4.3.3. **Maintenance of minimum public unitholding post exit offer**

a) It is recommended that all units tendered must be accepted. This would remove extant limitation of proportionate acceptance of units tendered and would facilitate complete exit for a dissenting unitholder.

b) Further, in cases where MPU compliance is breached on account of acceptance of tendered units, the REIT/InvIT shall achieve MPU compliance within one year from the date of such breach. The proposal is in alignment with SAST regulations, 2011 (read with SCRR rules, 1957).

4.3.4. **<u>Other minor drafting inputs:</u>**

a) The redrafting inputs may be accepted since this will give clarity that in case the acquirer is unable to achieve unitholder approval, the exit offer is optional and the subsequent activities related to the exit offer are applicable only when the acquirer decides to go ahead with the proposal in spite of not receiving the unitholder approval. The changes proposed are listed at **Annexure II** in track change mode.

4.4. **PROPOSAL**

4.4.1. The definition of dissenting unitholders as provided in Chapter 11 of the InvIT Master Circular may be amended as under:
"Dissenting unit holders" means unit holders as on the cut-off date who have voted against the resolution proposed in terms of Regulation 22(5C) or Regulation 22(7) of the InvIT Regulations.

Further, Chapter 11 of the InvIT Master Circular may be amended to provide that an explicit disclaimer shall be included in the notice to unitholders and all communications to unitholders in this regard, mentioning that exit option, if any, shall be offered only to those unitholders who have explicitly voted against the resolution. Such disclaimer shall be prominently highlighted in the unitholder notice and all related communications.

Similar amendments may be carried out in Chapter 13 of the REIT Master Circular.

4.4.2. Regulation 22(7)(b) of the InvIT Regulations may be amended to insert the following –
"(iv) in case of an exit of a sponsor in an InvIT with multiple sponsors, the outgoing sponsor or its sponsor group entities or any of the continuing sponsor or its sponsor group entities shall provide the dissenting unit holders an option to exit by buying their units in the manner specified by the Board"
Similar amendment may be carried out in Regulation 22(8)(b) of the REIT Regulations

4.4.3. The timelines for activities pertaining to exit offer in case of exit of any one sponsor in case of a REIT/InvIT with multiple sponsors is provided in **Annexure I**. It is proposed to specify such timelines under Para 11.4.5 of the InvIT Master Circular and Para 13.4.5 of the REIT Master Circular

4.4.4. The definition of Acquirer under Para 11.1.1 of Chapter 11 of InvIT Master Circular may be amended as under:

11.1.1. "Acquirer" means,
a) a person who, along with persons acting in concert, intends to acquire units of an InvIT and is required to provide an exit option in terms of Regulation 22(5C); or
b) a person who is required to provide an exit option in terms of Regulation 22(7)(b) of the InvIT Regulations.

Similar amendment to be carried out in Para 13.1.4 of Chapter 13 of REIT Master Circular.

4.4.5. Para 11.6.1 of Chapter 11 of InvIT Master Circular may be amended as under:

11.6.1. If the public unitholding of an InvIT falls below the minimum public unitholding threshold specified under Regulation 14(1A) of the InvIT Regulations on account of exit offer provided to dissenting unitholders, then the InvIT shall increase its public holding to the required threshold within one year from the date of such breach"

Similar amendment may be carried out in Para 13.6.1 of the REIT Master Circular

4.4.6. The table detailing timelines for activities pertaining to the exit offer specified under Para 11.4.5 of the InvIT Master Circular may be amended to carry out drafting changes as provided in **Annexure II**. Similar changes may also be carried out for the timelines table specified under Para 13.4.5 of the REIT Master Circular.

4.5. **RECOMMENDATION OF HYSAC**

4.5.1. The above proposals are made based on the recommendations of the HYSAC.

Consultation 3: Review of framework related to exit offer in case of change in sponsor

Kindly provide your comments along with supporting rationale on the following proposals:

(a) Amend the definition of "dissenting unitholders" to include only those unitholders who have voted against the proposed resolution.

***(b)** Amend Regulation 22(7)(b) of the InvIT Regulations/Regulation 22(8)(b) of the REIT Regulations and the definition of 'Acquirer' in the InvIT/REIT master circular to provide clarification on who would be offering exit option in case of exit of one sponsor in an InvIT/REIT with multiple sponsors*

***(c)** Amend Chapter 11 of the InvIT Master Circular/Chapter 13 of the REIT master Circular to specify time period of one year for re-achieving MPU compliance in cases when such MPU norms are breached due to exit offer provided to dissenting unitholders*

***(d)** Amend Master Circular of REITs/InvITs to specify timelines for activities pertaining to exit offer as mentioned in Annexure I and Annexure II*

5. Recognition of remote Common Infrastructure as Real Estate (For REITs).

5.1. BACKGROUND

5.1.1. As per the definition of 'common infrastructure' under the extant REIT Regulations, a REIT can invest in common infrastructure whether the same is co-located or not. The same is to support REIT-led green energy and sustainability initiatives.

5.1.2. However, there is an inconsistency between the 'common infrastructure' definition and the 'real estate' definition. The definition of 'real estate' include 'common infrastructure for composite real estate projects'. Hence, Common infrastructure which is not co-located does not fall under the definition of real estate.

5.2. Extant Regulatory Provisions

5.2.1. Regulation 2(1)(ga) of the REIT Regulations (as amended on April 23, 2025) define "common infrastructure" as under:

*" "common infrastructure" includes facilities or amenities such as power plants, district or retail heating and cooling systems, water treatment or processing plants, waste treatment or processing plants and any facilities or amenities incidental to real estate business which exclusively supply or cater to, or are exclusively consumed by the REIT, its HoldCo(s) or SPV(s), **irrespective of whether such facilities or amenities are co-located within any project of REIT or not"***

5.2.2. Regulation 2(zi) of the REIT Regulations defines what assets a REIT can legally hold. Crucially, sub-provision (ii) limits the scope of common infrastructure:

"Notwithstanding the above, following captured within the abovementioned definition of infrastructure shall be considered under 'real estate' or 'property'-

(i) hotels, hospitals and convention centers, forming part of composite real estate projects, whether rent generating or income generating;

(ii) ***common infrastructure for composite real estate projects, industrial parks and SEZ****"*

5.2.3. Regulation 2(zs) of the REIT Regulations defines SPV as under:

"'special purpose vehicle' or 'SPV' means any company or LLP... (ii) which ***holds not less than eighty per cent. of its assets directly in properties*** *and does not invest in other special purpose vehicles"*

5.2.4. Regulation 18(5)(k) of the REIT Regulations provides a separate enabler allowing REITs to invest directly in the equity shares of a common infrastructure company:

"18(5) Not more than twenty per cent. of value of the REIT assets shall be invested in assets other than as provided in sub-regulation (4) and such other investment shall only be in, -

…

(k) equity shares of a company exclusively holding common infrastructure subject to the condition that the REIT, its HoldCo(s) and/or SPV(s) shall own entire shareholding and interest in such company".

5.3. REPRESENTATION RECEIVED FROM INDUSTRY ASSOCIATION

5.3.1. IRA has highlighted that current regulations create a "Catch-22" for Remote captive renewable energy plants, as they are geographically distant yet functionally integrated with commercial real estate.

5.3.2. The association highlights a legal barrier arising from a direct conflict between **Regulation 2(ga)**, which permits investments in common infrastructure regardless of co-location, and **Regulation 2(zi)**, which restricts real estate to only **composite** projects.

5.3.3. This inconsistency prevents remote common infrastructure from being recognized as "real estate," thereby the entity holding such common infrastructure not qualifying as an SPV.

5.4. CONSIDERATION OF PROPOSAL

5.4.1. To fulfill the regulatory objective of promoting environmental sustainability, the definition of 'real estate/property' may be amended to consider remote common infrastructure as real estate.

5.4.2. Also, since "common infrastructure" is already defined under Regulation 2(1)(ga), the referencing clause in Regulation 2(1)(zi) can be simplified by deleting following words (marked in strikethrough):
"common infrastructure ~~for composite real estate projects, industrial parks and SEZ;~~"

5.4.3. Further, it may be noted that, Regulation 18(5)(k) of REIT Regulations provides a separate enabler for investment in equity shares of a common infrastructure company. However, considering the proposal to classify all common infrastructure (whether co-located or remote) as "real estate," Regulation 18(5)(k) will become redundant and may be omitted.

5.5. PROPOSAL

5.5.1. In view of the above, it is proposed to amend the sub-clause (ii) of the Regulation 2(zi) as below (deletions marked in strikethrough):
"(ii) "common infrastructure" ~~for composite real estate projects, industrial parks and SEZ;~~"

5.5.2. Since the above proposed amendment classifies all common infrastructure as "real estate", it is proposed that Regulation 18(5)(k) of the REIT Regulations be omitted to remove redundancy.

5.6. **RECOMMENDATION OF HYSAC**

5.6.1. The above proposals are made based on the recommendations of the HYSAC.

Consultation 4: Recognition of Remote Captive Power Plants as Special Purpose Vehicles (SPVs) (For REITs).

Kindly provide your comments along with supporting rationale on the following proposals:

(a) Amending Regulation 2(1)(zi) to classify remote common infrastructure as "real estate"

(b) Omitting Regulation 18(5)(k), as the direct classification of common infrastructure under real estate renders separate equity investment pathways redundant.

6. Reducing Cooling Off Period for Offer for Sale for Private listed InvITs

6.1. BACKGROUND:

6.1.1. SEBI vide Circular SEBI/HO/MRD/MRD-PoD-3/P/CIR/2023/10 dated January 10, 2023 (subsumed vide SEBI Circular SEBI/HO/MRD-PoD2/CIR/P/2024/00181 dated December 30, 2024) specified the comprehensive framework on Offer for Sale (OFS) of shares including units of REITs and InvITs through stock exchange mechanism. Further, the same was amended on August 03, 2023 to allow OFS for units of private listed InvITs.

6.1.2. The abovementioned circular prescribes following cooling – off period for transaction (i.e. purchase or sale prior to and after the offer) –

i. For most liquid shares: +/-2weeks
ii. For liquid shares: +/-4weeks and
iii. For illiquid shares: +/-12weeks

6.1.3. Since the lot size of privately listed InvITs is INR 25 lakhs, the liquidity in such units would generally be less and hence a 12 weeks cooling off period may be applicable to them. Such cooling off period may be reviewed for privately listed InvITs in view of liquidity constraints because of the lot size.

6.2. EXTANT REGULATORY PROVISION:

6.2.1. Para B of Circular SEBI/HO/MRD/MRD-PoD-3/P/CIR/2023/10 dated January 10, 2023 (modified vide circular SEBI/HO/MRD/MRD-PoD-3/P/CIR/2023/134 dated August 03, 2023) reads as follows

OFS Framework for sale of units of Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs)

1.0 "OFS for sale of units of REITs and InvITs by sponsor(s) or sponsor group entities, and other unitholders are permitted only in units of listed REITs and listed InvITs. The OFS framework for REITs and InvITs shall be equivalent to the OFS framework prescribed at paragraph-A above for equity shares of listed companies.

Provided that in case of OFS for listed InvITs, the trading lot shall be same as the trading lot prescribed for such InvITs in the secondary market in terms of SEBI (Infrastructure Investment Trusts) Regulations, 2014.

Provided further that since there is no participation of retail investors in private listed InvITs, the provisions related to retail investors as specified in paragraph-A above shall not be applicable in case of OFS for such InvITs and the OFS shall remain open only for one day (i.e. T day)."

6.2.2. Sub Para 2.4.1 of Para A of Circular SEBI/HO/MRD/MRD-PoD-3/P/CIR/2023/10 dated January 10, 2023 reads as under –

"The cooling off period for transaction (i.e. purchase or sale prior to and after the offer) in the shares of the company for the promoter(s)or promoter group entities and non-promoter shareholders for offering the shares through OFS mechanism shall be based on the liquidity of the shares on exchanges and are as under:

i. For most liquid shares: ± 2 weeks

ii. For liquid shares: ± 4 weeks and

iii. For illiquid shares: ±12 weeks "

6.3. **REPRESENTATION RECEIVED FROM INDUSTRY ASSOCIATION**

6.3.1. BIA has represented that, applying equity centric cooling-off timelines to privately listed InvITs ignores the fundamental absence of retail participation and the structurally constrained liquidity inherent in these vehicles because of peculiar lot size requirements. Hence, cooling off restrictions may be reviewed for privately listed InvITs.

6.4. CONSIDEARTION OF PROPOSAL

6.4.1. Privately listed InvITs face inherent liquidity constraints because of their lot size of INR 25 lakhs. Due to this high financial threshold, participation in both primary and secondary markets is limited almost exclusively to institutional investors, body corporates, and high-net-worth individuals (HNIs)

6.4.2. Consequently, trading volume remains thin compared to publicly listed instruments and these InvITs may fall under the category of illiquid shares because of such structural liquidity constraints.

6.5. PROPOSAL

6.5.1. Considering the submissions of industry association and in order to facilitate ease of doing business, the cooling-off period for illiquid privately placed InvITs may be reduced from 12 weeks to 8 weeks.

6.5.2. The Proposals made at Para 6.5.1 are based on the inputs received from BIA and recommendations of the Hybrid Securities Advisory Committee (“HYSAC”).

The Draft Circular in this regard is placed at **Annexure III**.

Consultation 5: Reducing Cooling Off Period for Offer for Sale for Private listed InvITs

Kindly provide your comments along with supporting rationale on the following:

a) Whether cooling-off period for illiquid, privately placed InvITs may be reduced from 12 weeks to 8 weeks?

7. Public Comments

7.1 Considering the implications of the aforementioned matter on the market participants, public comments are invited on the above-detailed proposals. The comments/ suggestions should be submitted latest by August 27, 2026, through the online web-based form which can be accessed using this link.

7.2 Kindly go through the instructions mentioned on the above link before submitting comments on the consultation paper.

7.3 In case of any technical issue in submitting your comment through web based public comments form, you may contact Shri Mohit Agarwal, Manager (mohita@sebi.gov.in) through email with the subject *"Consultation Paper on Measures towards Ease Of Doing Business for REITs and InvITs"*.

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