

**CIRCULAR**

**SEBI/HO/DDHS/CIR/P/2018/10**

**January 18, 2018**

**To**

**All Recognized Stock Exchanges (except Commodity Exchanges)**

**All Infrastructure Investment Trusts (InvITs)**

**All Real Estate Investment Trusts (REITs)**

**All Parties to InvITs**

**All Parties to REITs**

**Merchant Bankers registered with SEBI**

**Dear Sir / Madam,**

**Sub: Participation by Strategic Investor(s) in InvITs and REITs**

1. SEBI (Infrastructure Investment Trusts) Regulations, 2014 (“InvIT Regulations”) define strategic investors under Regulation 2(1)(zza) of the InvIT Regulations and allows them to participate in InvITs. Further, SEBI (Real Estate Investment Trusts) Regulations, 2014 (“REIT Regulations”) vide amendment notification dated December 15, 2017, inter-alia, define strategic investors under Regulation 2(1)(ztb) of the REIT Regulations and allows them to participate in REITs.
2. In this regard the operational modalities, for the participation by the strategic investors in InvITs and REITs shall be as under:
  - 2.1. An InvIT/REIT, if chooses to invite subscriptions from the strategic investors shall undertake the same in the following manner:
    - i. The strategic investor(s) shall, either jointly or severally, invest not less than 5% and not more than 25% of the total offer size.
    - ii. The investment manager or manager on behalf of the InvIT/REIT, shall enter into a binding unit subscription agreement with the strategic investor(s), which propose(s) to invest in the public issue of InvIT/REIT.
    - iii. Subscription price per unit, payable by the strategic investor(s) shall be set out in the unit subscription agreement and the entire subscription price shall be deposited in a special escrow account prior to opening of the public issue.

- iv. The price at which the strategic investor(s) has/have agreed to buy units of the InvIT/REIT shall not be less than the issue price determined in the public issue. Thus, if the price determined in the public issue is higher than the price at which the allocation is to be made to strategic investor(s), the strategic investor(s) shall bring in the additional amount within two working days of the determination of price in the public issue. However, if the price determined in the public issue is lower than the price at which the allocation is to be made to strategic investor, the excess amount shall not be refunded to the strategic investor and the strategic investor shall take allotment at the price at which allocation was agreed to be made to it in unit subscription agreement.
  - v. The draft offer document or offer document, as applicable, shall disclose details of the unit subscription agreement. Such details shall include name of each strategic investor, the number of units proposed to be subscribed by it or the investment amount, proposed subscription price per unit, etc.
  - vi. The unit subscription agreement shall not be terminated except in the event the issue fails to collect minimum subscription.
- 2.2. The units subscribed by strategic investors, pursuant to the unit subscription agreement, will be locked-in for a period of 180 days from the date of listing in the public issue.
3. This Circular is issued in exercise of powers conferred under Section 11(1) of Securities and Exchange Board of India Act, 1992 read with Regulation 33 of REIT Regulations and Regulation 33 of InvIT Regulations.
  4. This Circular is available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in) under the categories “Legal Framework” and under the drop down “Circulars”.

Yours faithfully,

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