

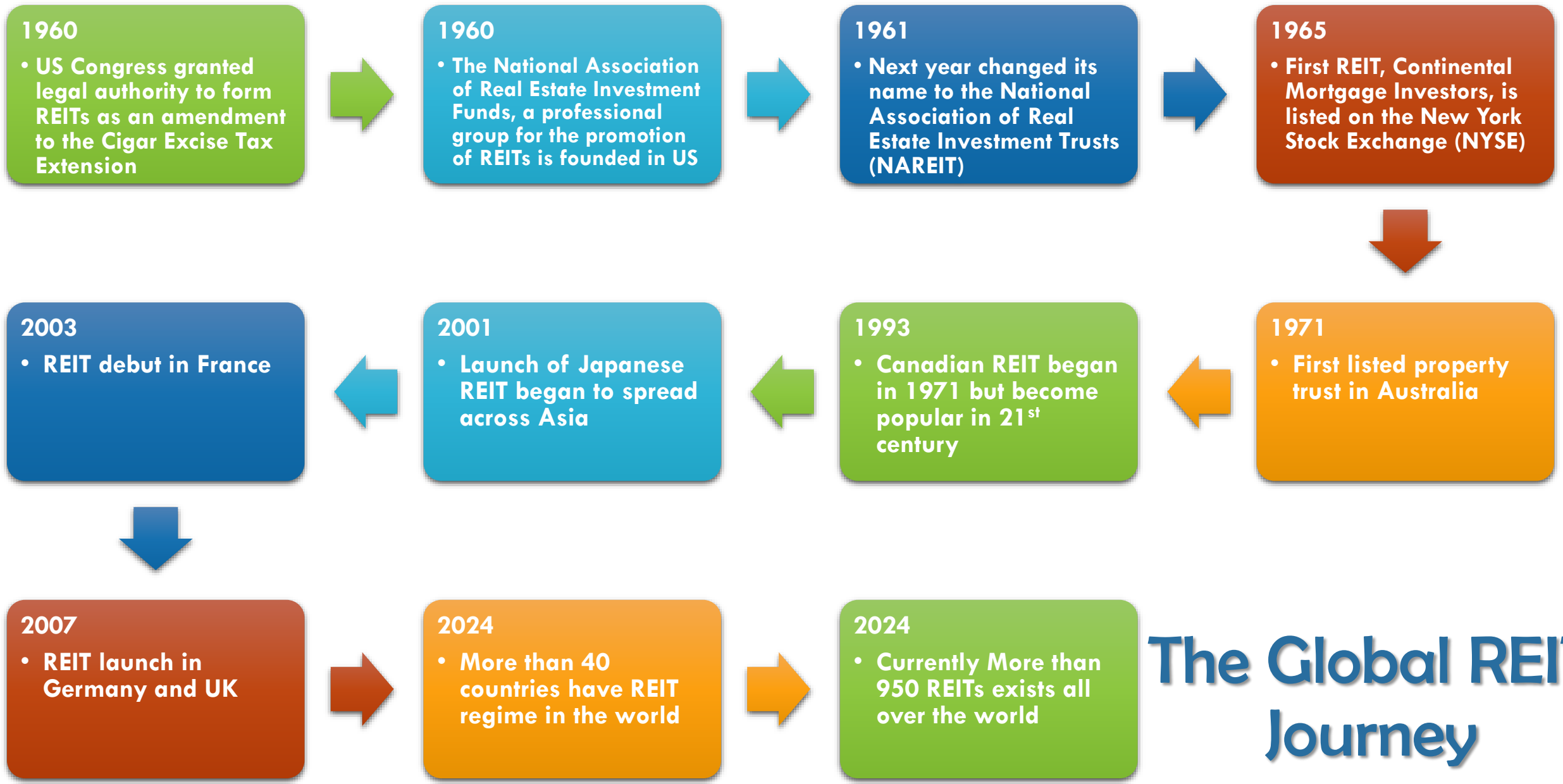
CREDAI SOUTHCON 2024
Day 2 – Session 2

NEW FINANCING OPTIONS THROUGH REITS & SMREITS

Explore SMREITs as a new avenue for
monetizing completed assets

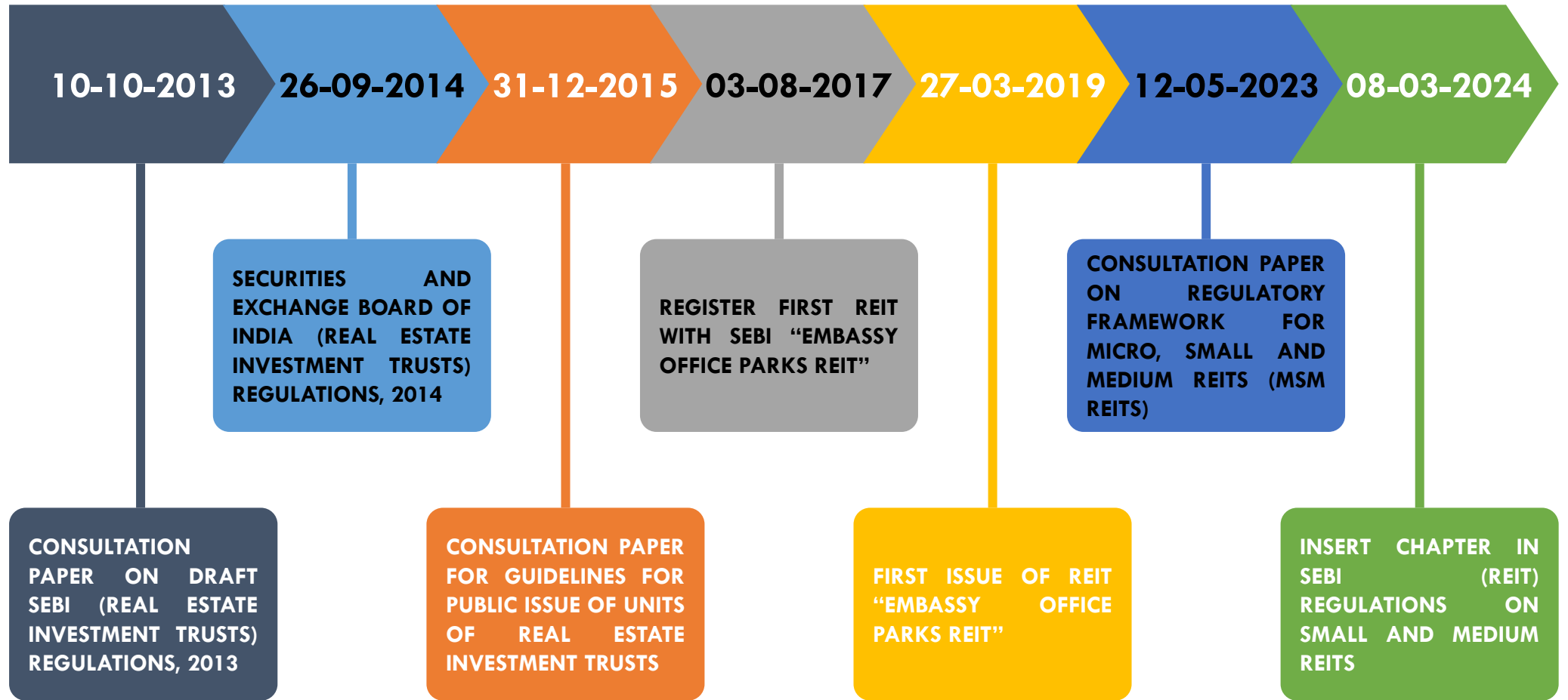
Presentation by Kedia Corporate Advisors Pvt. Ltd.





The Global REIT Journey

REITs in India: Evolution and Current Scenario



[SEBI REIT Regulations also applicable except chapters II, IV, V and regulation 22 under Chapter-VI, shall mutatis mutandis applicable unless otherwise provided in this chapter]

REITs vs SM REITs: Understanding the Difference

REITs

Particulars	REITs	SM REITs
Investment route	Directly or through SPV	SPV
Size	INR 500 crore and above	INR 50 crore to less than INR 500 crore
Type of property	Generally in Commercial Real Estate Assets	both residential and Commercial Real Estate Assets
Allocation rules	80% of assets in completed projects and maximum 20% in under-construction projects	Can only invest in completed projects
Minimum unit holders	200	200
Minimum public unit holding	25% of the issue within 3 years of listing	25% of the issue
Minimum investment	INR 10000 - 15000	INR 10 lakhs
Leverage by REITs	Maximum 49% of their total assets	Maximum 49% of the scheme value
Distribution of net cash flows	At least 90%	At least 95%
Duration	Half yearly	Quarterly

SMREITs

Traditional Funding vs SMREIT Avenue

TRADITIONAL FUNDING METHODS

- Own Capital
- Loans
- Unit-By-Unit Sales

TRADITIONAL FUNDING CHALLENGES

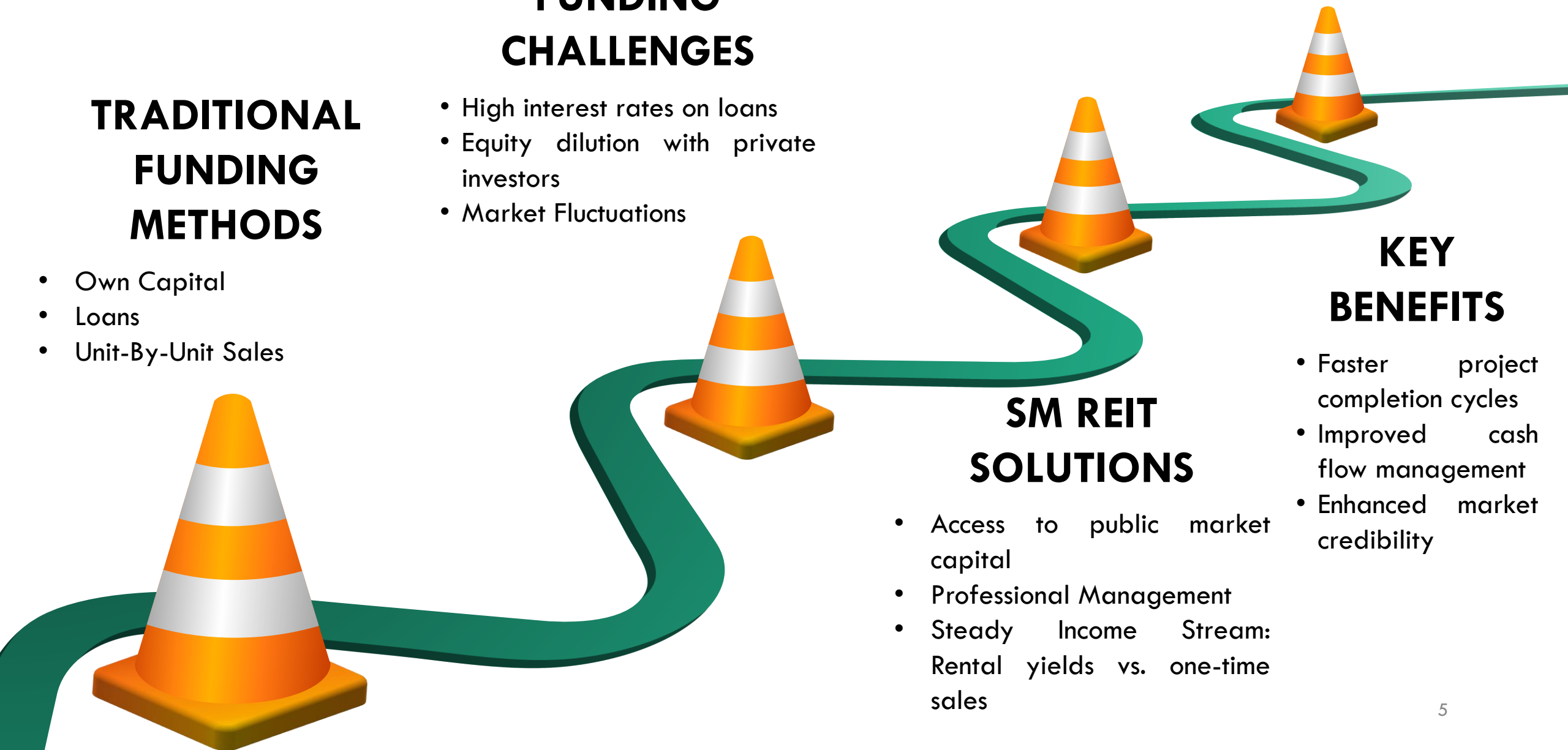
- High interest rates on loans
- Equity dilution with private investors
- Market Fluctuations

SM REIT SOLUTIONS

- Access to public market capital
- Professional Management
- Steady Income Stream: Rental yields vs. one-time sales

KEY BENEFITS

- Faster project completion cycles
- Improved cash flow management
- Enhanced market credibility



A Peek into the Current Investment Landscape

Residential Real Estate (as in Investment): Around INR 80 Lakh Crore

Total Mutual Funds Registered with the SEBI: 44

Mutual Fund AUM: Around INR 55 Lakh Crore



Fixed Deposit: Around INR 100 Lakh Crore

DMAT Account up to Feb 2024: Around 15 Crore

Current SM REIT Market: INR 4000 Crore

Strategic Pathways for Developers in SMREITs

Asset Introduction for Tier 2 & 3 City Developers

- Develop assets valued between ₹50-500 crore
- Partner with an independent Investment Manager (IM)
- Introduce completed, income-generating assets to SMREITs
- Benefit: Access to capital markets for mid-sized projects

The Hybrid Approach

- Develop larger assets
- Retain partial ownership (e.g., 30-50%)
- Transfer remaining portion to SMREIT through an IM
- Benefits: Immediate capital realization, Ongoing stake in asset performance, Flexibility in capital allocation

The Gradual Exit Strategy

- Start with majority ownership
- Gradually reduce stake as SMREIT grows
- Benefits: Controlled transition, long-term value creation

Become an Investment Manager (IM)

- Establish a separate entity meeting SEBI criteria for IMs
- Manage a portfolio of prime properties (3rd Party)
- Benefits: Leverage real estate expertise in a new role, Diversify revenue streams, Gain broader market insights

Key Points to Remember

- All assets must be completed and income-generating
- Asset introduction always through independent IMs
- No related party transactions between developers and their IM entities

Pro Tip: Mix and match these strategies across your portfolio for optimal results!

Eligibility of Investment Manager

Trust, Time, and Treasure: The Trifecta of SM REIT Management



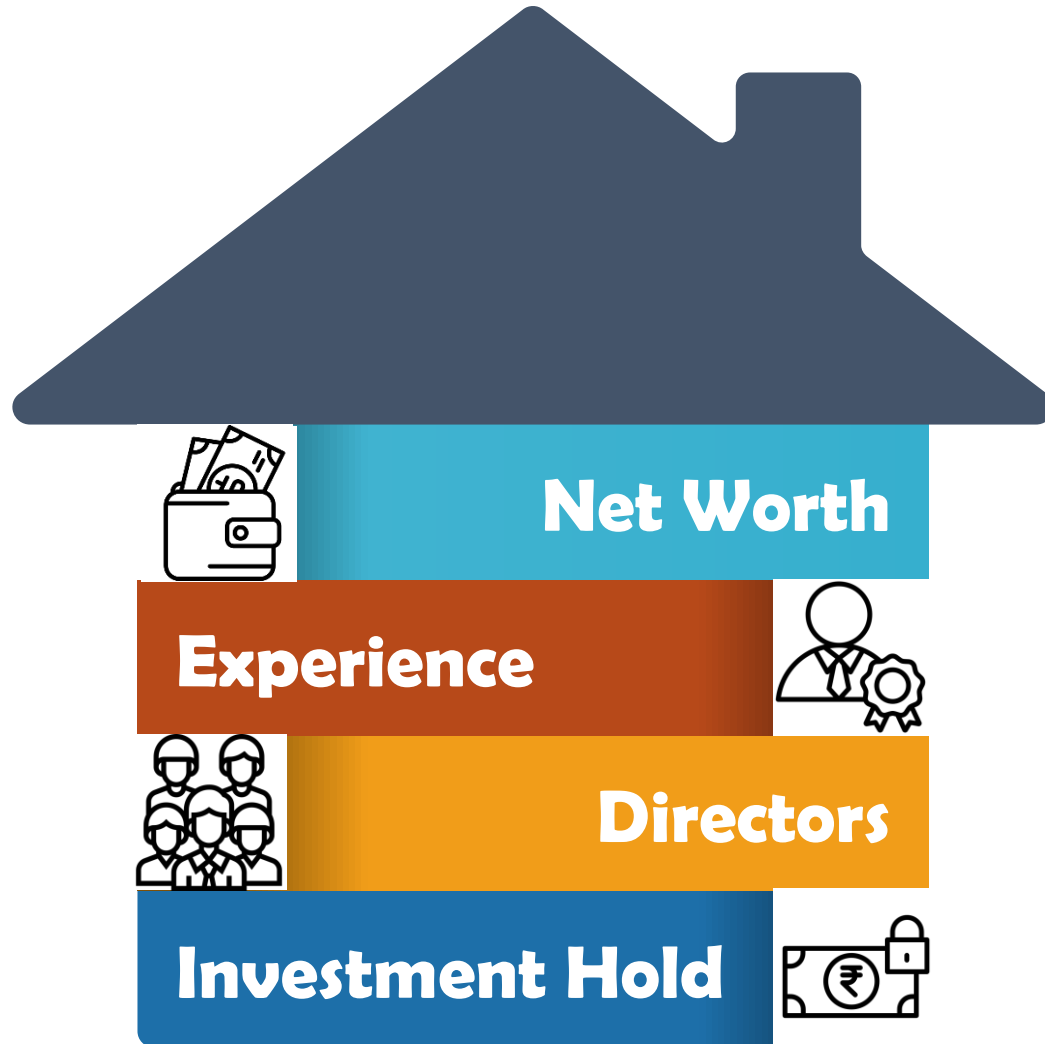
Net Worth

Minimum 20 Crore (10 Crore in positive liquid net worth)



Directors

At least half of the directors are independent and not Directors of the Manager / investment manager of another REIT / SM REIT



Experience



Minimum 2 year in real estate industry or real estate fund management if not meet above criteria:

- a) Appoint 2 KMP
- b) Each have 5 year experience in above area

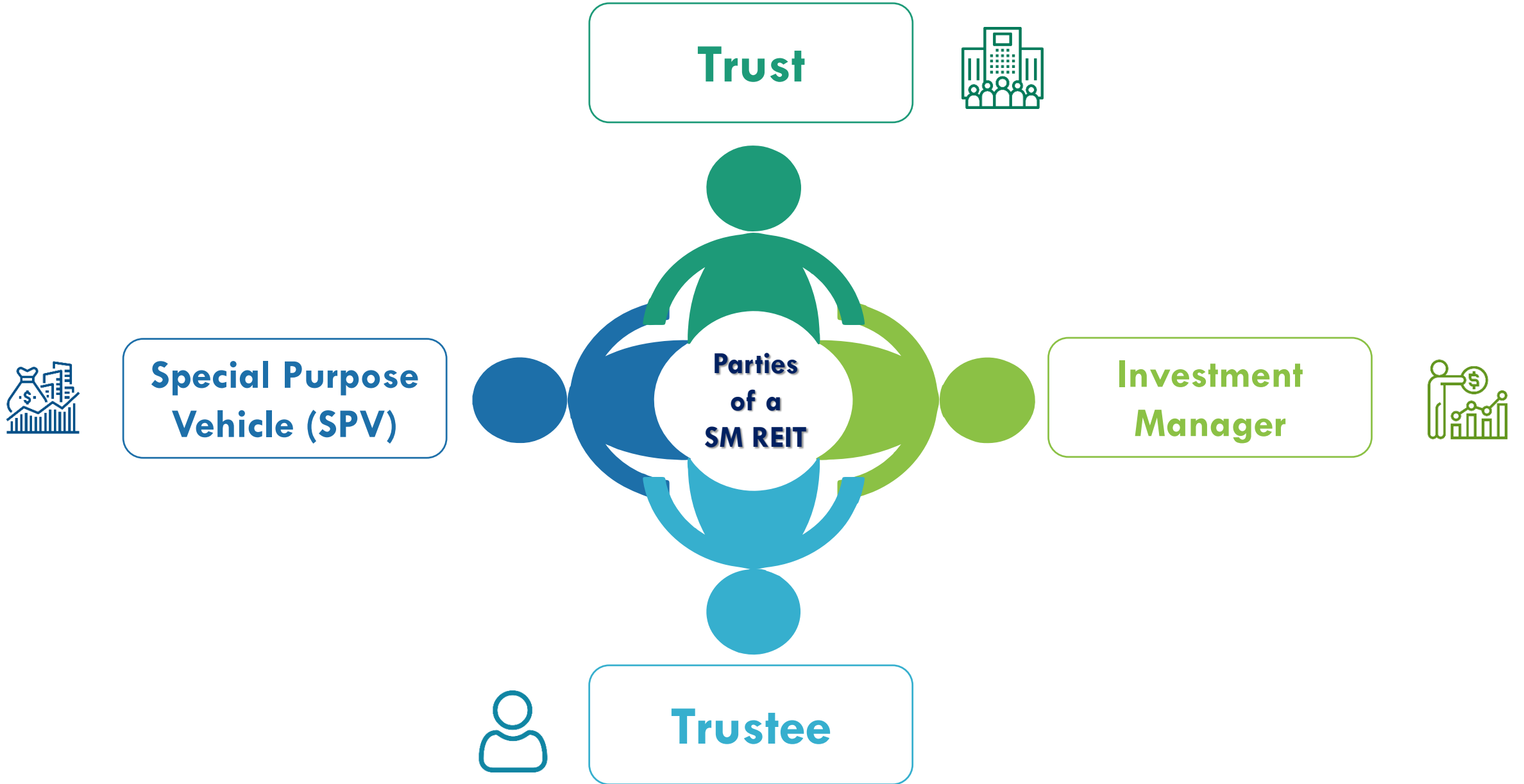
Investment Hold



Scheme wise minimum investment lock in for 3 year:

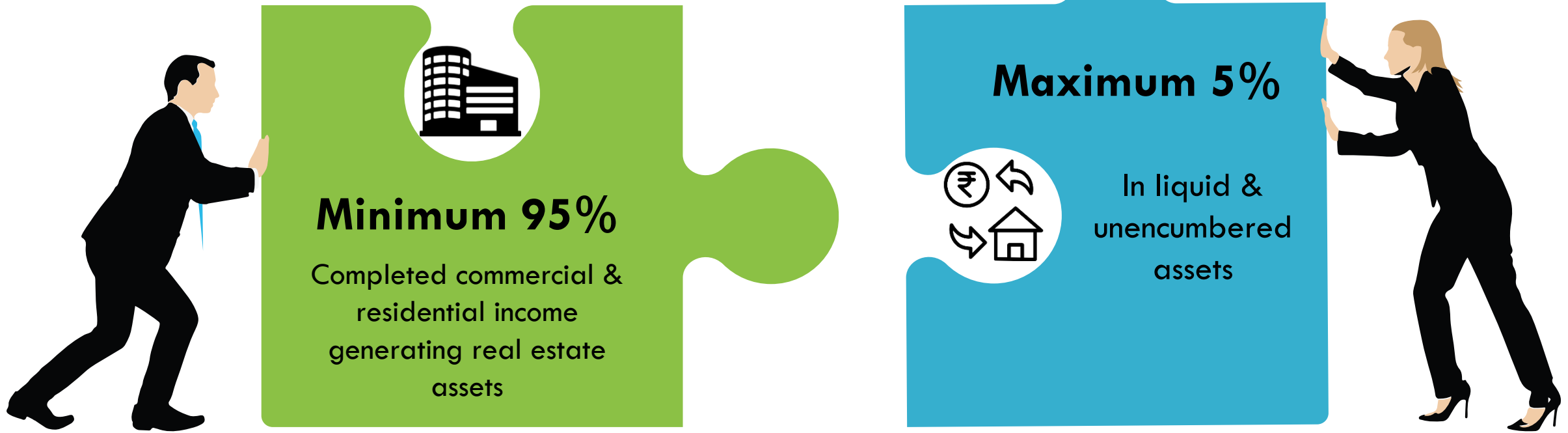
- a) If opted leverage in initial offer document: 15%
- b) If not opted leverage in initial offer document: 5%

SM REIT Ecosystem: The Four Pillars of SM REITs



Investment by a scheme of SM REIT

SM REITs Unveiled: 95% Rent-Ready, 5% Rainy-Day Ready



Other Requirements of a Scheme

Decoding SM REIT Schemes: Minimums, Maximums, and Market Share

Minimum unit price

INR 10 Lakh

Minimum public unit holding

25%



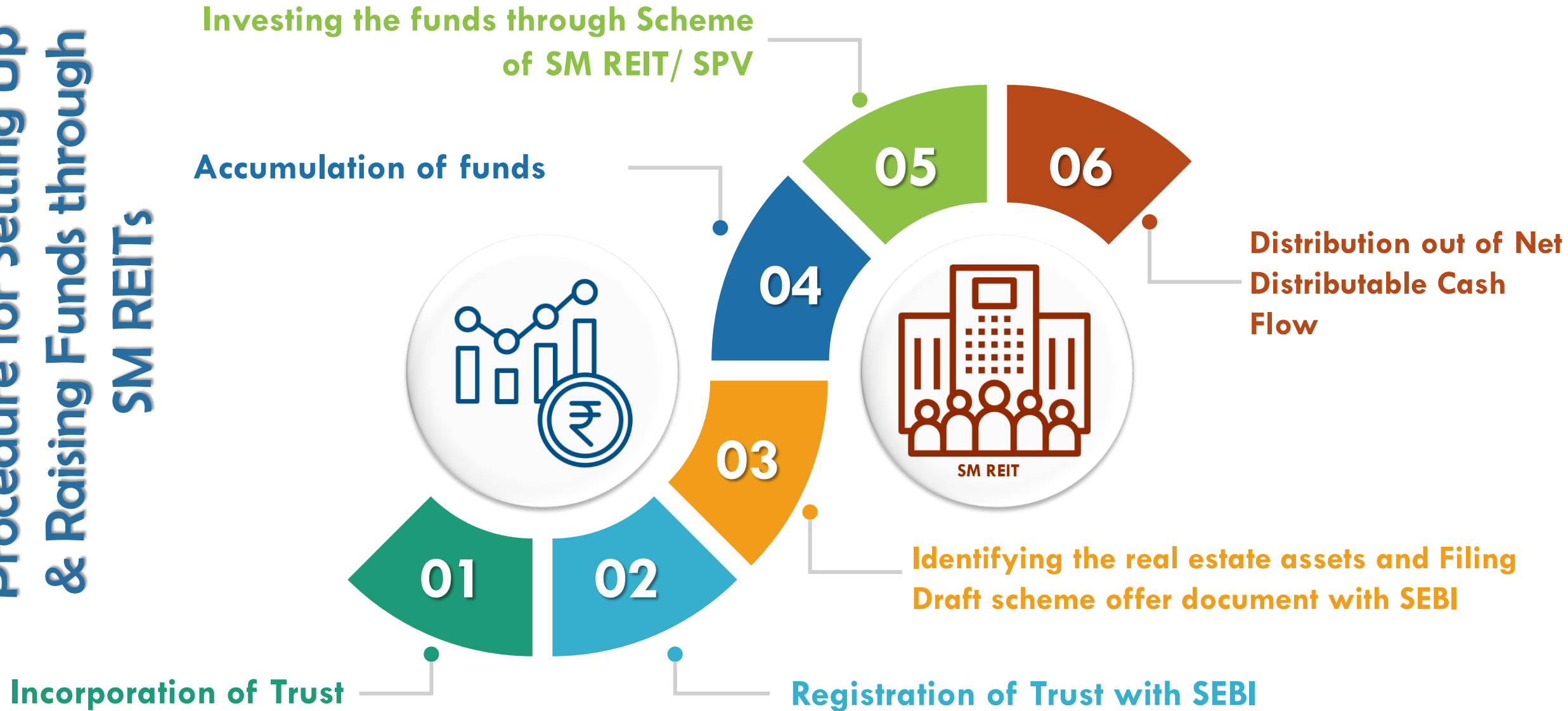
Investors allow to invest in a Scheme

Indian and foreign

Maximum allotment to single person

25% (excl. investment manager its related & associates)

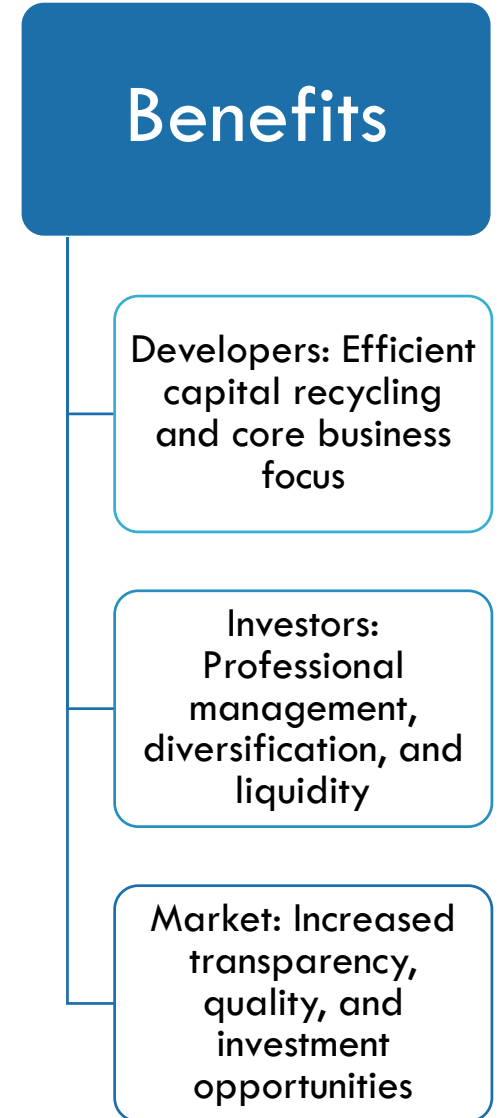
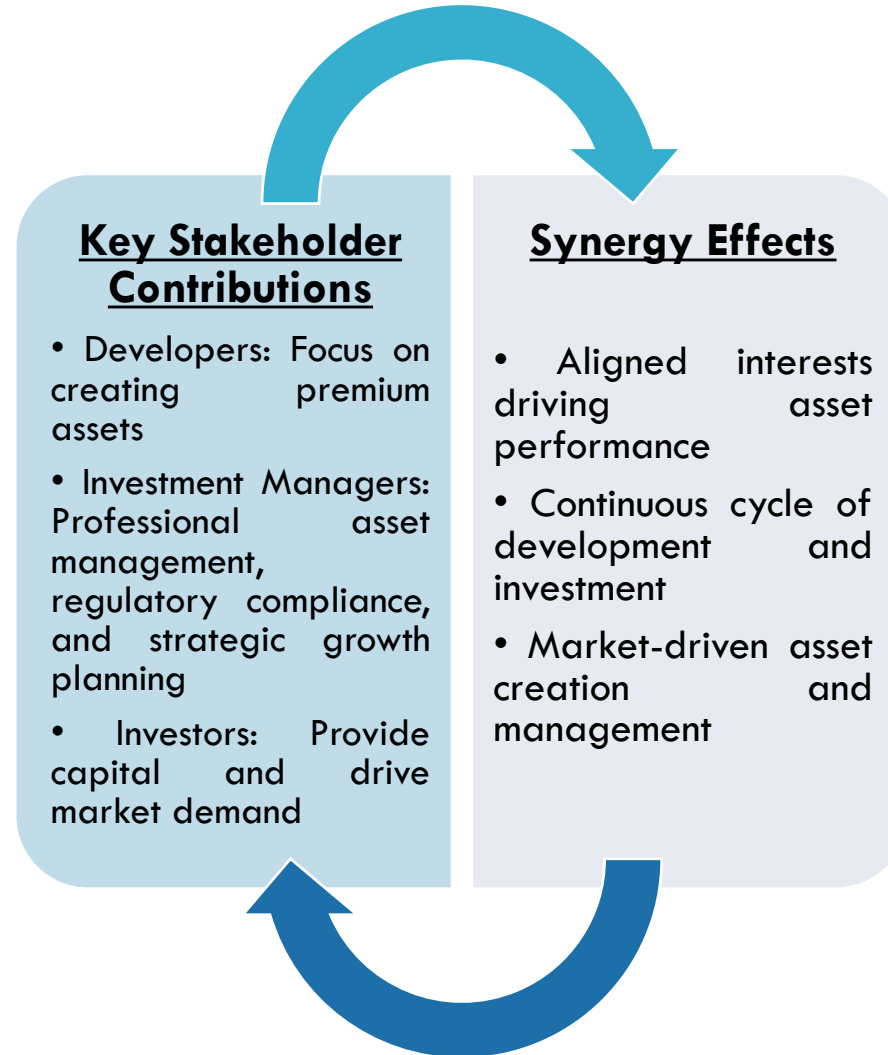
Procedure for Setting Up & Raising Funds through SM REITs



SM REITs - Creating a Symbiotic Ecosystem



- Developers create high-quality, marketable assets
- SM REIT acquires and manages these assets
- Investors gain access to institutional-grade real estate
- Capital flows back to developers for new projects



Leveraging SMREITs: Key Advantages for Developers

Embrace SMREITs: Where Small Developers Make Big Impacts!

Streamlined Operations

- Goodbye unit-by-unit sales headaches
- Professional asset management - focus on what you do best
- Reduced operational burdens

Risk Smart

- Spread risk across diverse properties
- Weather market fluctuations confidently

Market Domination

- Boost your brand visibility nationally and internationally
- Compete in larger projects previously out of reach
- Scale up operations efficiently

Financial Perks

- Steady income stream
- Tax advantages for increased profitability
- Improved liquidity - faster project exits

Capital Boost

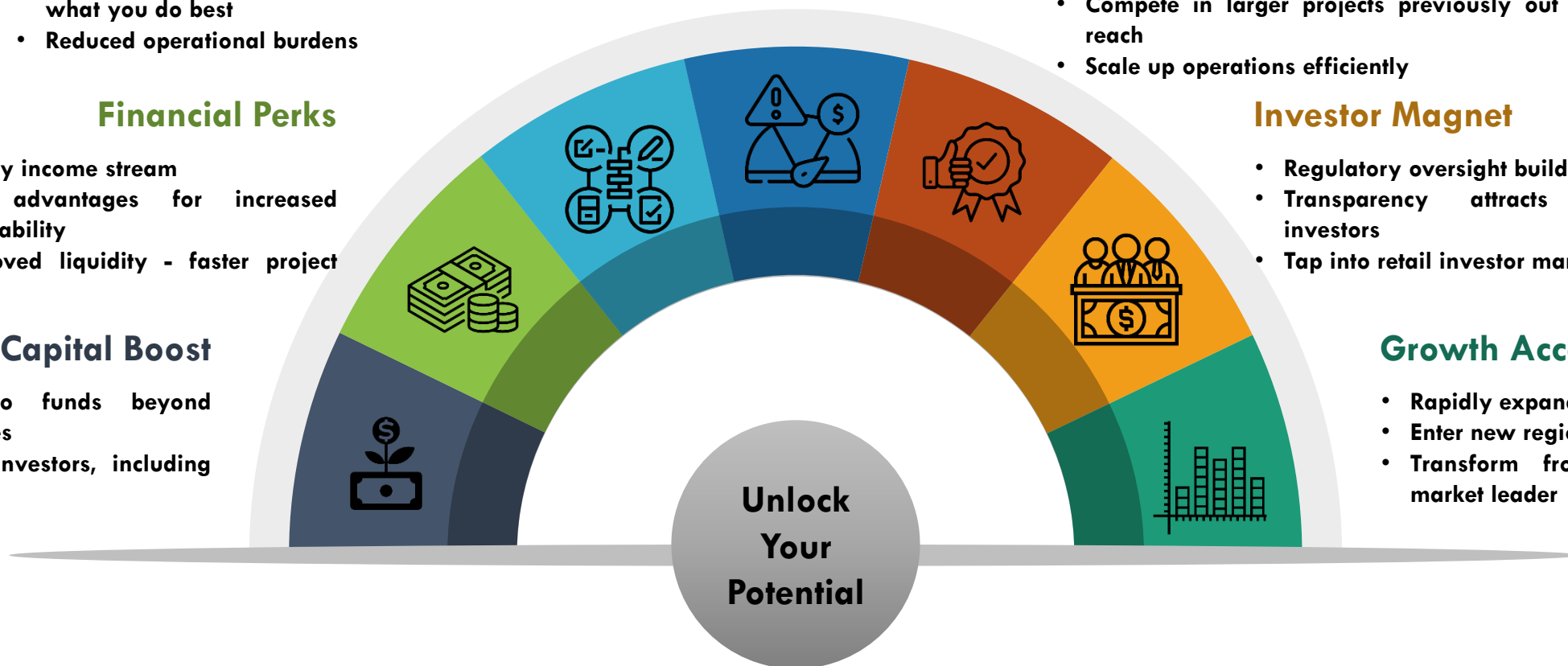
- Easy access to funds beyond traditional sources
- Attract diverse investors, including foreign capital

Investor Magnet

- Regulatory oversight builds trust
- Transparency attracts cautious investors
- Tap into retail investor market

Growth Accelerator

- Rapidly expand your portfolio
- Enter new regions with ease
- Transform from local player to market leader



Catalyst of REITs & SM REITs

The Expanding Real Estate Investment Landscape

As a Real Estate Developer, you're constantly seeking innovative ways to finance and grow your projects. The Securities and Exchange Board of India (SEBI) offers several alternate investment options that can help you. By exploring these alternate investment options, you can unlock new avenues for growth, enhance your projects' potential, and stay ahead in the competitive Real Estate market.



Access new funding sources

Alternative Investment Funds (AIFs) can provide access to capital from sophisticated investors, reducing dependence on traditional funding sources.



Tap into international investments

International Financial Services Centres (IFSC) GIFT City offers a platform to attract foreign investments, providing access to global capital markets.



Stay ahead of the curve

SEBI's emerging options, such as crowdfunding and digital assets, can help you stay competitive and adapt to changing market trends

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Thank You

We welcome any inquiries or concerns you may have, so don't hesitate to get in touch:

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