

Uniform financial disclosure standards introduced for REITs and InvITs under SEBI's revised framework

14 May 2025

Introduction

The Securities and Exchange Board of India (SEBI) has introduced significant amendments to the regulatory framework governing Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) (together, "Business Trusts"), specifically in relation to:

- disclosure of financial information in offer documents/placement memorandums; and
- continuous disclosure requirements and compliance obligations by Business Trusts, post-listing.

Pursuant to these changes, Chapters 3 and 4 of the SEBI Master Circulars for REITs and InvITs, both dated 15 May 2024, have been revised through SEBI circulars issued on 7 May 2025 (collectively, the "Amendment").

These reforms follow SEBI's consultation paper titled "*Review of - (a) disclosure of financial information in offer document / placement memorandum, and (b) continuous disclosures and compliances by Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs)*", released for public comments on 14 February 2025.

This ERGO highlights the key changes introduced through the Amendment.

Key changes to financial disclosures by of business trusts in offer documents:

➤ **Period of Financial Statements**

- **Clarification on Interim Financials:**

Where the audited financial statements of the last completed financial year are older than six months from the date of the offer document, audited stub period financials (not more than six months old) are now required to be included.

- **Applicability in Follow-on Offers:**

If a Business Trust has existed for less than three completed financial years, it must disclose financial statements for the period of its existence along with any relevant stub period financials.

KCO Comment: The Amendment provides clarity on the nature of the interim financial / stub period financials that are required to be disclosed in the offer documents. These changes aim to align the positions with the requirements prescribed under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (SEBI ICDR Regulations), thereby bringing uniformity for public issues.

➤ **Nature of Financial Disclosure**

- **Mandatory Combined / Consolidated Financials:**

Regardless of how long a Business Trust has been operational, the offer document must include combined / consolidated audited financial statements.

- **Standalone Financials on Website:**

The separate audited standalone financial statements must be published on the Business Trust's website, with the offer document providing a direct link.

- **Proforma Financials in Certain Cases:**

For follow-on offers, proforma financials are required if the Business Trust has acquired or divested any material asset after the latest disclosed period but before filing the offer document. These must:

- cover the last completed financial year and any stub period; and
- be certified and prepared as per guidelines in the Amendment.

- **Application of Schedule III:**

Schedule III of the Companies Act, 2013—governing the presentation of financial statements—will now apply to Business Trusts, ensuring a standardised format.

KCO Comment: *These revisions streamline disclosures by focusing on consolidated / combined information while bringing Business Trust's financial reporting in line with broader market standards. Further, the requirement to disclose proforma financials is akin to public issue requirements prescribed under SEBI ICDR Regulations.*

➤ **Additional Financial Disclosures**

- Business Trusts must now disclose:
 - statement of net assets at fair value; and
 - statement of total returns at fair value, as per the prescribed format in the Amendment.
- Specifically for follow-on offers, an explanatory note explaining changes in unit capital (as part of the capitalisation statement) is now mandated.

➤ **Projections of Revenues and Operating Cash Flows**

- Business Trusts must disclose projections of revenues and operating cash flows, and assumptions (project-wise) for the current financial year (in which the offer document is filed with SEBI) and the next three financial years.
- **For initial public offers:** Projections must cover only assets that will be owned prior to allotment.
- **For follow-on offers:** Projections should cover only assets/projects proposed to be acquired from the proceeds of the follow on offering.

➤ **Enhanced Disclosure Requirements in Follow-on Offers**

- **Follow-on offer documents must now include additional disclosures under:**
 - Schedule III of SEBI (Infrastructure Investment Trusts) Regulations, 2014 and the SEBI (Real Estate Investment Trusts) Regulations, 2014, respectively; and
 - details related to objects of the offer, regulatory actions (e.g., show cause notices, adjudication, prosecution proceedings) involving for the parties to the Business Trusts, and other prescribed disclosures.

Key amendments on continuous disclosures and compliances by Business Trusts in relation to disclosure of financial information post listing

➤ **Frequency and Timelines for Financial Disclosures**

- **Quarterly and Year-to-Date (YTD) Financial Results:** Business Trusts are now required to submit:

- quarterly and YTD financial results within 45 days of each quarter (excluding the last quarter); and
- annual financial results within 60 days of the end of the relevant financial year.

- **Last Quarter Disclosure:**

Results of the last financial quarter are to be submitted along with the annual financial results and must include a note clarifying that:

"The figures for the last quarter are the balancing figures between the audited figures in respect of the full financial year and the figures up to the third quarter."

- **Format and Nature of Disclosure:**

The specific formats and nature of disclosures are detailed in the Amendment, aligning with SEBI's objective of standardisation.

KCO Comment: *These changes bring the Business Trusts' financial reporting obligations on par with those of listed companies - to quarterly, half-yearly and annual reporting, enhancing transparency and investor confidence.*

➤ **Audit requirements of financial information**

- **Annual Financial Results:** Must be audited and submitted to the stock exchanges along with the audit report.
- **Quarterly and Half-Yearly Financial Results:** May be audited or unaudited, subject to conditions prescribed in the Amendment (e.g., review by statutory auditors, board approval, etc.).

➤ **Statement of Deviation for Use of Debt Proceeds**

- For debt-listed Business Trusts, a statement of material deviations (if any) in the use of proceeds from listed debt securities must be submitted every quarter, along with quarterly financial results.

➤ **Disclosure of Net Borrowings Ratio and Other Financial Ratios**

- A statement of net borrowings ratio must now be disclosed:
 - in quarterly financial results; and
 - in half-yearly and annual reports of the Business Trust.
- For debt-listed Business Trusts, additional ratios (as prescribed in the Amendment) must also be disclosed on a consolidated basis in the half-yearly and annual financial results.

Comments

From the viewpoint of Business Trusts proposing to undertake a public offering, the Amendment marks a significant step toward standardising financial disclosure requirements. By aligning the disclosure framework for REITs and InvITs with the SEBI (ICDR) Regulations, the regulatory regime now aims to ensure greater consistency and transparency.

Key initiatives such as mandating combined / consolidated financial disclosures, requiring proforma financials in specific scenarios, and applying uniform reporting timelines, underscore SEBI's intent to streamline compliance and improve the quality of disclosures.

Further, the amendments also bridge the gap between the post-listing obligations of listed companies and Business Trusts, bringing about welcome uniformity and enhancing investor confidence in the Business Trusts ecosystem.

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