# DEPOSITORY RECEIPTS FOR REITs AND InvITs: A NEW INVESTMENT ROUTE OR AN ADDITIONAL REGULATORY LAYER

Tanisha Somani & Pallavi Pendse, University of Mumbai Law Academy

**ABSTRACT**

The paper elaborates upon the issuance of Depository Receipts against the two investment instruments - Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs). Firstly, the paper dives into the current market condition of Real Estate Investment Trust (REIT) and Infrastructure Investment Trusts (InvIT) showcasing actual financial data then we take look at the proposed Consultation Paper, elaborating upon Depository Receipts and its usage in India. Later comes a thorough analysis of the Salient features of the CP and the author's view on the merits and demerits of this new proposed mechanism. This article is helpful for both the investors and the investment vehicles to dive deeper into the world of foreign capital for Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs).

## INTRODUCTION

*Real Estate Investment Trust (REIT)*[1] and *Infrastructure Investment Trusts (InvITs)*[2] governed by SEBI (REIT) Regulation, 2014 and SEBI (InvITs) Regulation, 2016 respectively, are investment vehicles that pool money from investors into trusts that are registered under the Indian Trusts Act, 1882[3], that give investors exposure to income-generating real estate assets or infrastructure assets.

To understand with an example let's assume, Mr. 'A' is an investor with limited resources and cannot buy and maintain a whole commercial property and hence he buys units of a trust that owns various commercial properties like business parks and gives a part of it to Mr. 'A', now this solves two problems for Mr. 'A', he does not have to go through the hassle of managing the property and collecting rents from the tenant instead he gets returns in the form of dividend periodically, these trusts are called REITs, and on the other hand InvITs construct/manage infrastructure like highways and roadway projects and 90% of the income generated through these are distributed among the unit holders. These investment trusts allow investors to directly invest money in infrastructure development related projects or real estate projects and earn returns on such investments.

After the issuance of the regulations on investment vehicles, the first REIT introduced to the Indian investors was Embassy office parks listed on April 1, 2019, and the investment vehicles have shown exponential growth ever since. Currently, there exists 6 REITs (5 listed) and 28 InvITs (25 listed)[4] and SEBI's annual report of 2026[5] records REITs holding 2,38,406 crore rupees and InvITs holding at 6,37,290 crore rupees.

Foreign investment is essential for the growth of an investment vehicle, especially for an investment vehicle that is fairly new in the Indian market but is there a necessity to introduce a completely new mechanism for foreign investment when there already exist a few. REITs and InvITs are currently listed on recognized Indian stock exchanges, while foreign investment in such units is regulated through applicable laws. The SEBI Board on 24th September, 2026[6]

[1] Securities and Exchange Board of India (Real Estate Investment Trusts) Regulation 2014.
[2] Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulation 2016.
[3] Indian Trusts Act, 1882 (India) s 3.
[4] Securities and Exchange Board of India, Annual Report 2025-26 (SEBI 2026) 100.
[5] Securities and Exchange Board of India, Annual Report 2025-26 (SEBI 2026) 100.
[6] Securities and Exchange Board of India, 'Key Decisions taken in the SEBI Board Meeting dated 24 September 2026' (Press Release)

approved amendments to the REIT and InvIT Regulations, meanwhile the detailed operational framework is yet to be issued, providing them with an enabling provision to issue Depository Receipts against REIT and publicly listed InvITs units, subsequent to its issuance of the Consultation Paper[7] in August 2026.

*Depository Receipts* governed by the Depository Receipts Scheme, 2014[8] read with Companies Act, 2013[9] and the Companies (Issue of Global Depository Receipts), Rules 2014[10] are financial instruments that can be bought and sold by foreign nationals on their local stock exchange without facing huge risks like exchange rate, geopolitical tensions and other structural risks.

To understand further let's take an example, Ms. 'A' a resident of America and a retail investor, she wants to buy shares of an Indian Company but is not eligible to do so as she is not an Indian citizen, Depository Receipts solve this particular problem by establishing a chain of financial trail, which begins with an Indian custodian bank who actually holds the physical shares of the Indian Company and makes sure they are not traded twice, these shares are forwarded by the custodian bank to the foreign depository bank and the depository bank further issues these shares in the form of receipts that are listed on the local stock exchange, allowing a foreign citizen to invest in Indian stocks without having to jump through a lot of hurdles of international transactions.

## SALIENT FEATURES OF THE CONSULTATION PAPER

After analysing the consultation paper published by SEBI on the issuance of Depository Receipts against REITs and InvITs some of the highlighting changes to be brought into the commercial world of securities law are as follows: -

1. **Eligibility**: A Depository Receipt holder including its beneficial owner shall not be an Indian Citizen or a Non-Resident Indian. The investment trust, its issuer, promoter or any other related party shall not be a wilful defaulter or a fugitive economic offender at the time of issuance of Depository Receipt.

[7] Securities and Exchange Board of India, 'Consultation Paper on Issuance of Depository Receipts against Units of REITs and Publicly Listed InvITs' (4 August 2026).
[8] Depository Receipts Scheme 2014 (India).
[9] Companies Act 2013 (India).
[10] Companies (Issue of Global Depository Receipts) Rules 2014 (India).

2. **Permissible Jurisdiction and exchanges**: The issuance of Depository Receipt is restricted to jurisdiction and international exchanges specified in SEBI Master Circular for stock exchanges and clearing corporations dated December 30, 2024[11] (as amended and reiterated below).

| Country | Stock Exchange |
|---|---|
| United States of America | NASDAQ and NYSE |
| Japan | Tokyo Stock Exchange |
| South Korea | Korea Exchange Inc |
| United Kingdom (excluding British overseas territory) | London Stock Exchange |
| France | Euronext Paris |
| Germany | Frankfurt Stock Exchange |
| Canada | Toronto Stock Exchange |
| IFSC | India International Exchange |

Further, listing must meet the highest applicable standards for foreign issuers (e.g., Level III A Depository Receipt programs on NASDAQ/ NYSE, Main Board of the Hong Kong Stock Exchange, or the Standard Segment of the London Stock Exchange).

3. **Obligation of Manager/ Investment Manager**: Ensuring compliance with extant laws relating to issuance of Depository Receipt including, requirements prescribed in this framework and for the same may also enter into necessary arrangements with Custodian, Indian and Foreign Depository, also ensuring that Depository Receipts are issued only with units of the REITs / InvITs as the underlying.

4. **Minimum Public Holding Requirement**: Maximum of units which may be issued by the REITs/ InvITs for the purpose of the issuance of Depository Receipts shall be compliant with the requirement of minimum public holding excluding the units held at

[11] Securities and Exchange Board of India, 'Master Circular for Stock Exchange and Clearing Corporation' (30 December 2024).

the depository which will be treated as non-public unit holding

5. **Maximum Unit holding Cap**: Depository Receipt holder including beneficial owner together with person acting in concert shall comply with the regulation 22(6A) of the REIT Regulation, 2014[12] and Regulation 22(5C) of the InvIT Regulation, 2016[13] that allows a single person to only hold 25% of the total units.

6. **Tendering Opportunity**: Existing unit holders must at the time of fresh issue of Depository Receipt be allowed an opportunity to tender their holdings/units. This is mandated only for the initial Depository Receipt issue.

7. **Pricing**: The price applicable to the domestic investors shall be the baseline for the price offered for Depository Receipt purposes.

8. **Voting**: A Depository Receipt holder can exercise his or her voting rights through its Depository bank.

9. **Disclosures**: Public Disclosures made on the international exchange must also be filed with the Indian Stock Exchange within 24 hours.

10. **Custodian/Depository Obligations**: The domestic bank shall maintain and also report the records of any issuance and cancellations of Depository Receipts.

## IMPLICATIONS AND LIMITATIONS

SEBI's approved proposal has a greater advantage on the Indian economic development, but it also poses us to think which regulatory gap or market constraint the new scheme is actually going to solve. Below is the thorough impact analysis of the proposed mechanism in the Consultation Paper.

The Consultation Paper allows for a much more compliant and transparent ecosystem for a foreign citizen to invest in the Indian market. Previously, the Securities Contracts (Regulations) Act, 1956 allowed for permitted securities[14] to be issued as Depository Receipts, these permitted securities under the Foreign Exchange Management (Non-debt Instruments) Rules,

[12] Securities and Exchange Board of India (Real Estate Investment Trusts) Regulation 2014, reg 22(6A).
[13] Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulation 2016, reg 22(5C).
[14] Securities Contracts (Regulation) Act 1956, s 2(h).

2019[15] incorporates both REITs and InvITs, however there existed no enabling provision that practically allowed the issuance of Depository Receipt under the REIT Regulations / InvIT Regulations[16], now the draft opens a new and properly established investment stream to increase the capital, aid in funding and help the growth of the investment trusts along with Indian economic market.

Depository Receipts provides REIT's and InvITs to access a wider pool of international investors and increases their capital to carry out larger infrastructural development and real estate projects while also increasing the visibility of these investment trusts in a larger public domain of foreign citizen. During this FY 25-26 Foreign Portfolios Investors pulled out 1.53 lakh crore[17] on a net basis this year, it is a huge dip comparatively to that of the last two years. In that situation, this new mechanism may not be just a regulatory adjustment but become a positive new way to reintroduce foreign capital in these investment vehicles.

However, we also have to consider whether this framework just increases paperwork because there already exist other mediums through which foreign investment is allowed in Investment vehicles. A foreign investor might consider Foreign Portfolio Investment over Depository Receipts because they may not want to become just an economic beneficiary through a Depository Receipt but would want to directly hold the units and avoid the additional structural layer and costs involved in a Depository Receipt. The question that the authors would like to put forward is, what advantage do Depository Receipts provide that it would become a foreign investor's choice over all the other investment routes considering that the demand for Indian real assets already exists and investment is ongoing through other routes. Mindspace Business Parks REIT has a FPI holding of 12.44%[18] and two big foreign institutions, KKR and GIC hold 27.8%[19] of units in IndiGrid's InvIT showing that foreign investment exists in investment vehicles without the mechanism of Depository Receipts.

The Depository Receipts Scheme was rolled out by SEBI about twelve years ago which gives the market enough time to assess how effectively the Indian Companies have adopted the Depository Receipt route. Reportedly only seven Indian companies currently have an active

[15] Foreign Exchange Management (Non-debt Instruments) Rules, 2019 (India).
[16] Securities and Exchange Board of India, 'Consultation Paper on Issuance of Depository Receipts against Units of REITs and Publicly Listed InvITs' (4 August 2026) 8.
[17] Securities and Exchange Board of India, Annual Report 2025-26 (SEBI 2026) 103.
[18] K Raheja Corp Investment Managers Pvt Ltd, Unit Holding Pattern for the Quarter Ended June 30, 2026' (17 July 2026) 3
[19] IndiGrid, 'Unit Information' https://www.indigrid.co.in/investor/unit-information/ accessed 3 October 2026.

ADR/GDR programme[20] which indicates that the scheme has not gained significant traction. Consequently, introducing the same mechanism for REITs and InvITs may appear questionable if the already established Depository Receipts framework has seen limited use.

Conversely, one might also argue that SEBI's role is not only limited to rolling out schemes for the current market conditions, but the regulatory framework may also be designed with a future ambitious outlook. The authors believe that both the merits and demerits should be known to the investment trusts before they issue their underlying units to foreign citizens.

## CONCLUSION

To sum it up, the consultation paper has completed the first stage that is the proposal being published and receiving comments from the general public, similarly the board of directors have also approved the amendments to the regulation on 24th September 2026. These amendments will become a part of the already existing framework, and its final impact will thus depend on how it is implemented and received by the securities market.

The timing of this proposed draft is precise as the current market conditions are worsening and India is in a need to receive the foreign capital to overcome its shortfall, this issue is being solved by opening more routes that are simplistic for foreign investors to enter the Indian market rather than going through the whole procedure of registering under Indian rules, dealing with India's settlement system, converting currency back and forth.

Thus, despite of the proposed limitations of the draft, the outcome of issuing Depository Receipts against REITs and InvITs is highly awaited by the market and will depend on the practical aspect rather than on paper provisions.

[20] IIFL Capital, 'Depository Receipt; ADR, GDR & IDR List' (1 October 2026)