



Revised framework for computation of Net Distributable Cash Flow (NDCF) by Real Estate Investment Trusts (REITs)

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SOURCE : SEBI Circular - SEBI/HO/DDHS/DDHS-PoD/P/CIR/2023/185

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Background

On December 2023, SEBI released its circular on Revised framework for computation of Net Distributable Cash Flow (NDCF) by Real Estate Investment Trusts (REITs)

Brief

- Regulation 18(16) of SEBI (Real Estate Investment Trust) Regulations, 2014 (“REIT Regulations”), provides that the Net Distributable Cash Flow (NDCF) shall be computed at the level of REIT and HoldCo/SPV. The minimum distribution shall be 90% of the NDCF at the Trust level as well as the HoldCo/SPV level, subject to applicable provisions in the Companies Act, 2013 or the Limited Liability Partnership Act, 2008. Paragraph F of Chapter 3 of the Master Circular for Real Estate Investment Trusts provides an indicative framework for calculating NDCF at SPV level and at the REIT level.
- To promote Ease of Doing Business, it has been decided to standardize the framework for calculation of available Net Distributable Cash Flows. The revised framework for computation of NDCF by REITs and its Holdcos/SPVs shall be as per Annexure A.

Applicability of revised NDCF Framework

- The revised framework shall be applicable with effect from April 1, 2024, and supersedes the Framework for calculation of Net Distributable Cash Flows provided in Paragraph F of Chapter 3 of the Master Circular for Real Estate Investment Trusts (REITs) dated July 06, 2023.
- This circular is being issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 and Regulation 33 of the REIT Regulations. This circular is issued with the approval of the competent authority.

Notes/Other Rules

1. NDCF computed at SPV level for a particular period to be added under this line item, even if the actual cashflows from **SPV to REIT has taken place post that period, but before finalization and adoption of accounts of the REIT.**
2. The specified agreements could be for **either PPP or non-PPP projects.** The Trust retains the option to distribute any surplus amounts unless such surplus is required to create reserves for any subsequent period.
3. The option to **retain 10% distribution under Regulation 18(16)** needs to be computed by taking together the retention done at SPV level and Trust level.
4. Trust along with its SPVs needs to ensure that **minimum 90% distribution of NDCF** to be met for a given **financial year on a cumulative periodic basis as specified for mandatory distributions in the REIT regulations (subject to provisions of Note 1 above).**
5. Surplus cash available in SPVs due to:
 - **withholding 10% of NDCF** in line with Regulations in a prior year,
 - surplus upon a **new SPV's acquisition by the REIT**
 - Any other reason, excluding if such surplus cash is available due to any debt raise could be considered for distribution by the **SPV to the REIT, or by the Trust to its Unitholders** in part or in full, but needs to be disclosed separately in the NDCF computation and Distribution
6. Any restricted cash (disclosed as such) should not be considered for **NDCF computation by the SPV or REIT**
7. The **Trust or SPVs cannot distribute cashflows by getting external debt, except as explained in note 2**(this will exclude any working capital / OD facilities obtained by Trust/ SPVs as part of Treasury management / working capital purposes **as long as they are squared off within the quarter**)
8. Cash flows received by the Trust from SPVs or investment entities, which are meant to be distributed to Unitholders, will not include any cash flows that the Trust uses to lend to other SPVs or investment entities for the purpose of covering operational expenses, interest payments, or debt servicing.
9. Capital expenditure include amounts incurred and paid towards asset enhancement and are capitalized to asset value in the financial statements including lease payments. Existing Assets as referred to in this line item includes any new structure / building / other infrastructure constructed on an existing real estate asset which is already a part of the REIT

Impact

- The updated framework provides precise guidelines and computations, ensuring transparent fund allocation in these investments, maintaining SEBI compliance, and improving transparency.

Note- To read “Annexure-A” Refer SEBI Circular number - **SEBI/HO/DDHS/DDHS-PoD/P/CIR/2023/185**

- A. Computation of Net Distributable Cash Flow at HoldCo/ SPV level
- B. Computation of Net Distributable Cash Flow at Trust level



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