

# Enabling InvITs to power India's growth

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# Message from Crisil



**Jiju Vidyadharan**  
Senior Director  
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I am excited to present this report on the pivotal role of infrastructure investment trusts (InvITs) in financing India's infrastructure buildout.

InvITs, recognised by the Securities and Exchange Board of India (SEBI) since 2014, have evolved into a robust asset recycling platform that is mobilising capital for brownfield infrastructure projects.

As of March 2025, the number of InvITs had expanded to 26, nearly doubling the assets under management over fiscals 2021-2025. This growth reflects rising investor confidence in InvITs as an attractive investment vehicle.

The portfolios of InvITs are primarily concentrated in core infrastructure, with roads comprising approximately 39% of the assets under management, followed by fibre, telecommunications and emerging sectors such as power and warehousing.

The appeal of InvITs lies in their tiered governance, professional management, pass-through taxation and mandated distributions of at least 90% of net distributable cash flows, supporting a pooled XIRR of 14.2% as of March 2025, driven largely by distribution yields.

The asset class offers stability through long-duration concession and tariff frameworks.

As regulatory frameworks evolve and the participation of domestic institutional investors increases, the future of InvITs looks promising.

There are, however, a number of imperatives to ensure sustained progress.

Prioritising effective asset management and operational efficiency, strong governance and efficient cash flow management, standardisation in financial reporting and valuation, etc, will be crucial for driving financial performance.

Deepening domestic institutional allocations and broadening public listings will be crucial for improving liquidity and price discovery.

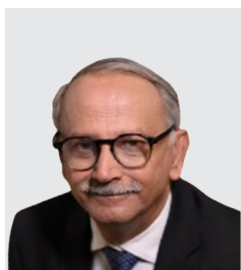
Continued education and awareness initiatives will be vital in demystifying InvITs and broadening their appeal for investors.

Enhanced research coverage from brokerage houses will improve visibility and reduce barriers for both retail and institutional investors, enabling informed decision-making.

These will ensure InvITs live up to their potential in contributing to the goal of Viksit Bharat.



# Message from CEO, BIA



**Mr. NS Venkatesh**  
CEO, Bharat InvITs  
Association

The future of India's Infrastructure Investment Trust (InvIT) sector is bright and full of promise. In just a few years, InvITs have evolved from being a niche investment product to becoming one of the most dynamic instruments driving India's infrastructure financing landscape. This transformation reflects not only the maturity of the sector but also its growing relevance in shaping India's economic progress. The InvIT industry is expected to grow three-fold to Rs. 21 lakh crores by 2030, paving the way for democratising the financial savings of the retail investor into InvITs, backed by real assets.

As the nation accelerates its infrastructure-led growth agenda, InvITs have emerged as a powerful catalyst connecting investment with impact. By mobilising long-term capital for essential infrastructure such as roads, power transmission, renewable energy, and digital networks, InvITs are directly contributing to the nation's development goals. The sector's growth mirrors India's own, strengthening connectivity, sustainability, and economic opportunity for a modern, resilient nation.

Beyond financing, the InvIT model also plays a significant role in employment generation and socio-economic development. Every rupee channelled through InvITs helps revitalise the infrastructure value chain creating jobs across engineering, construction, asset management, and maintenance. As more projects are monetised and new assets developed, InvITs indirectly support thousands of livelihoods, particularly in sectors that form the backbone of India's real economy. Integration of Technology, ESG, and Data-Driven Governance will increase

the productivity and aid faster growth of the industry.

The steady growth of the InvIT sector has been enabled by the forward-looking and enabling regulatory environment shaped by the Securities and Exchange Board of India (SEBI). SEBI's proactive approach in refining the regulatory framework through clear disclosure norms, stronger governance standards, and enhanced investor protection has instilled confidence among domestic and global investors alike. By providing a balance between flexibility and oversight, SEBI has ensured that InvITs operate transparently, efficiently, and sustainably. The regulator's support continues to be a cornerstone for the sector's stability and long-term expansion.

This report arrives at a pivotal moment for the industry. It captures not just the progress made so far but also outlines the opportunities that lie ahead. Through data-driven insights, market perspectives, and policy recommendations, the report highlights how InvITs can continue to evolve as an inclusive and scalable model for infrastructure financing. It serves as a roadmap for all stakeholders, developers, investors, policymakers, and regulators who share a common vision of sustainable and inclusive infrastructure growth.

We believe that the findings presented here will help chart a way forward for the industry, enabling it to attract greater participation, improve governance, and deliver measurable value to investors and citizens alike. As we look to the future, our conviction remains firm: the growth of the InvIT sector will not only unlock long-term wealth creation but also strengthen India's journey toward becoming a Viksit Bharat.



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# Innovative infrastructure financing key to India's growth

## Building a Viksit Bharat through infrastructure

India's vision of becoming a \$7 trillion economy by 2030 and a \$30 trillion economy by 2047 hinges on the growth-multiplier impact of infrastructure.

Therefore, the government is proactively pushing for a robust and modern infrastructure framework, which can spur the country's growth through rapid urbanisation and industrialisation and enhance global competitiveness.

The government's capital investment outlay for infrastructure was Rs 11.21 lakh crore, or 3.1% of gross domestic product (GDP), in budget 2026—up sharply compared with 1.7% of GDP over fiscals 2016-2020.

Investment in rural roads, highways, airports and railways to improve physical connectivity and reduce logistics cost has pushed gross fixed capital formation to 30.1% in fiscal 2025 from 27.3% of GDP in fiscal 2021.

The planned impetus reflects a clear understanding that infrastructure not merely facilitates economic activity but also acts as a catalyst for growth. The construction of highways, for instance, stimulates the economy through job creation and enhanced transit efficiency. Similarly, the expansion of public digital infrastructure, clean energy projects and resilient urban systems are essential to improve the quality of life and position India as a leading global economic player.

That strategic focus has taken India's ranking in the World Bank's Logistics Performance Index (LPI) to 38 in 2023 from 54 in 2014.

## Centre's infrastructure spending to continue even as states ramp up

The central government has been the main driver of investments over the past five

fiscals, building infrastructure to stoke and sustain long-term economic growth. Strategic initiatives such as Bharatmala, Sagarmala and the National Infrastructure Pipeline (NIP), along with Gati Shakti, have played a pivotal role.

States are also ramping up capex to accelerate infrastructure-led growth, their budgets prioritising highways, urban renewal, industrial corridors and logistics hubs.

Union Budget 2026 includes continuation of a 50-year interest-free loan for capital expenditure by states, with an enhanced outlay of Rs 1.5 lakh crore. Uttar Pradesh is leading the initiative with the construction of major expressway and metro projects, while Maharashtra has cleared HUDCO borrowings for urban infrastructure and launched the Nagpur International Business and Financial Centre hub. Andhra Pradesh has sharply raised its capex for highway corridors and national highway expansion, even as Telangana is planning a greenfield highway to strengthen coastal connectivity.

The examples highlight a strong state-level thrust on infrastructure that complements central programmes and creates opportunities for greater private and institutional capital participation.

## Infrastructure spending to grow 1.6 times between fiscals 2026 and 2030

Infrastructure spending in the country, which includes investments by the central and state governments and the private sector—led by roads and power—will help push investments through fiscal 2030. Total capex is estimated to increase 1.6x to Rs 90-100 lakh crore.

Private sector involvement in infrastructure, which has been increasing, is poised to intensify with the government's renewed emphasis on the build-operate-transfer model in roads. The power sector continues to attract substantial private investment,

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*InvITs have the potential to democratise access to infrastructure investing, allowing a wider range of investors to participate in the growth story of India's infrastructure sector*

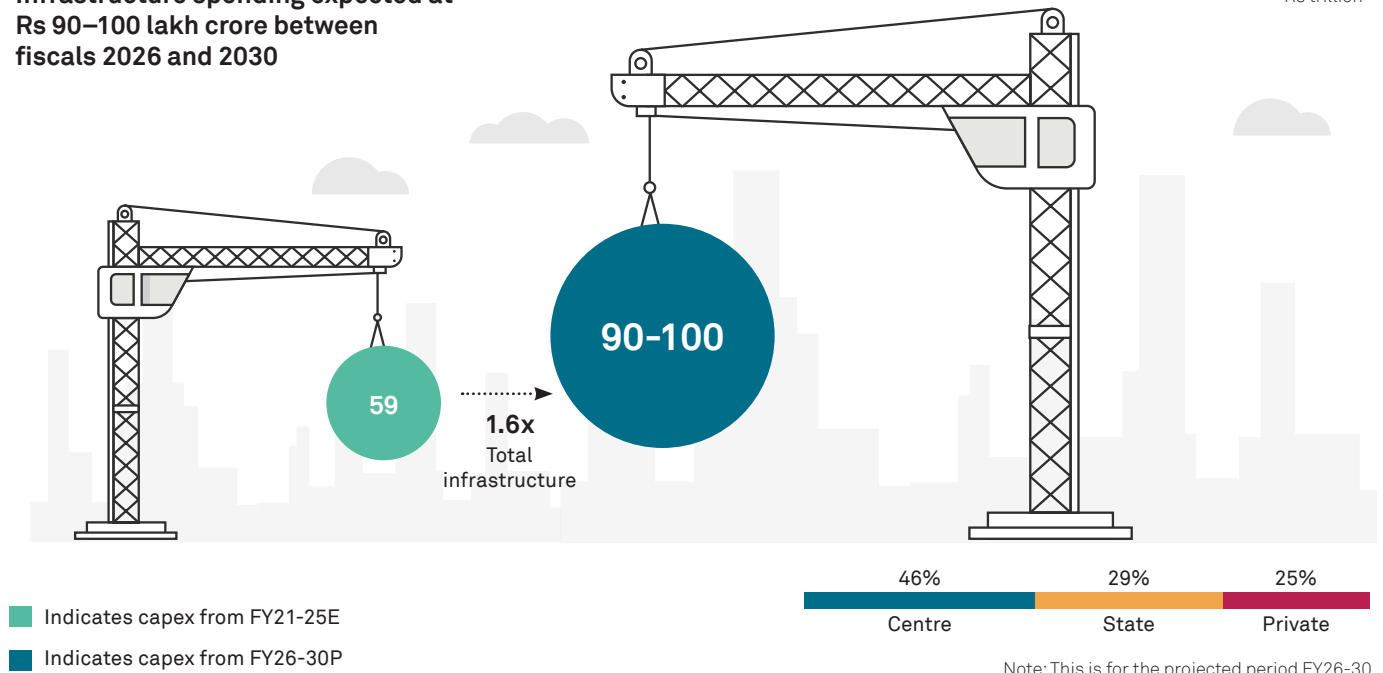
- InvIT industry expert

driven by a sharper focus on non-fossil fuel energy generation. The National Monetisation Pipeline (NMP) will likely play a key role as well by facilitating

the greater involvement of the private sector in infrastructure development.

**Infrastructure spending expected at Rs 90–100 lakh crore between fiscals 2026 and 2030**

Rs trillion



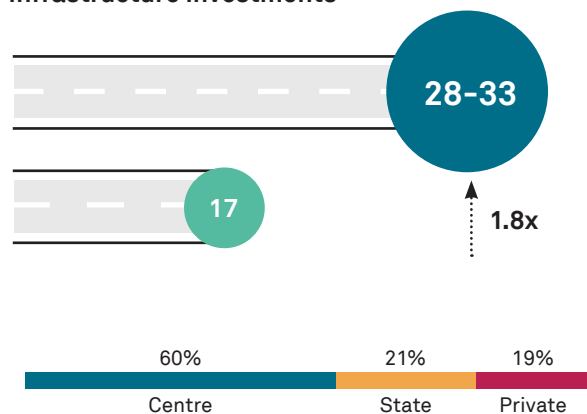
Source: Quantix, company reports, Crisil Intelligence

**Road sector**

The government is focusing on a multimodal logistics network across roads, railways, ports, inland waterways and air. This initiative aims to lower transport costs, enhance supply chain efficiency and support

sustainable growth. The National Logistics Policy (NLP) and the development of multimodal logistics parks are considered crucial for creating a smart, interconnected network essential for growth.

**Roads and power to drive infrastructure investments**



Investments in roads to continue strong momentum and grow at 11% CAGR from FY26 to FY30

- Private sector participation to increase with policy reforms and government’s restored focus on BOT model
- Better execution and a robust pipeline of projects to pave the way for strong capex growth
- Steady budgetary allocation to aid execution through the engineering, procurement and construction mode, and new avenues to finance projects such as investment trusts and the National Investment and Infrastructure Fund will help deal with financing constraints

Note: This is for the projected period FY26-30

Source: Industry, Crisil Intelligence

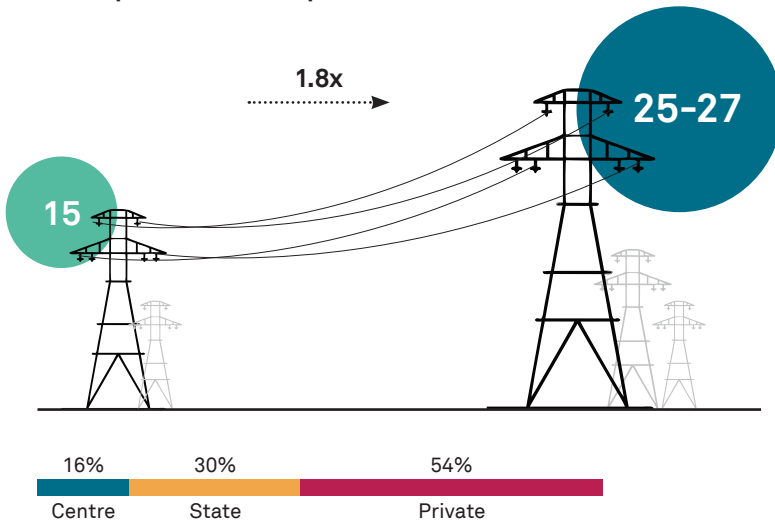
**Power sector**

The power sector, one of the largest recipients of capital investment, provides a significant investment opportunity in conventional and renewable energy. The sector is also shifting to more efficient and smart grid systems with the use of real-time data to improve efficiency.

India's infrastructure growth is increasingly anchored in the transition to sustainability, with large-scale investments flowing into renewable power genera-

tion (solar, wind and hybrid projects), green hydrogen production and grid-scale energy storage systems. This green push is reinforced by renewable energy development programmes and production-linked incentives, among others. Not only will these investments help address climate commitments, but they are also likely to reduce import dependence, enhance energy security and open new avenues for industrial competitiveness

**Green investments to have a higher share in power sector capex**

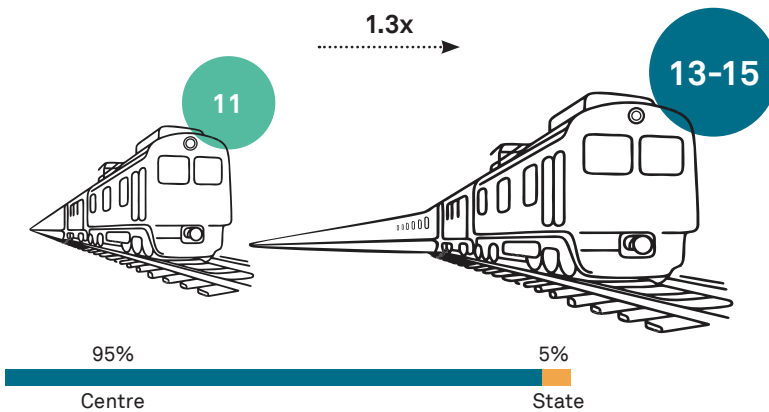


- Private sector to account for half the investments. Furthermore, Centre's share to fall due to the increase in state activity in the transmission and distribution segment
- Power generation capex to be led by renewable energy with a target of 500 GW capacity by 2030
- Rise in per capita power consumption and push for manufacturing will aid further investments

Note: This is for the projected period FY26-30

Source: Quantix, company reports, Industry, Crisil Intelligence

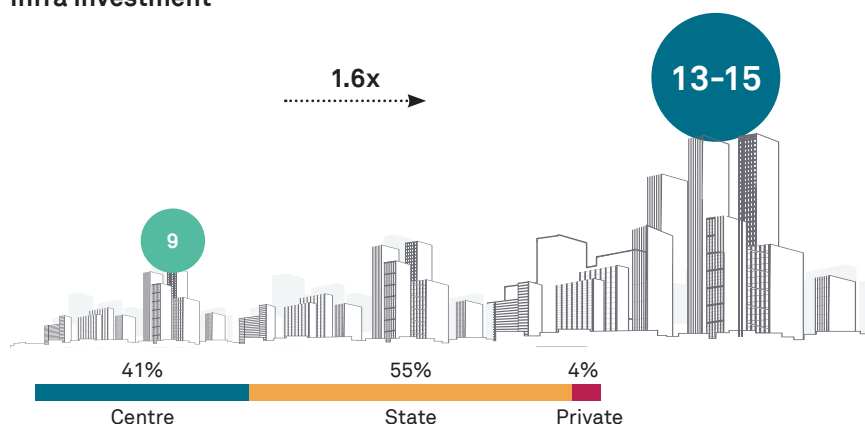
**Investments in railways to moderate**



- Investments would be led by doubling, track renewals, network expansion, dedicated freight corridor, station development and high-speed rail
- Implementation of high-value projects such as the Mumbai-Ahmedabad bullet train, increasing traction in station redevelopment and completion of the freight corridors to boost near-term capex

Note: This is for the projected period FY26-30

## Rising urbanisation to support urban infra investment



- Water supply and sanitation projects to account for nearly half of investments until fiscal 2030, driven by state governments and centrally-sponsored programmes
- Metro construction to be the second-largest urban infrastructure investment, with newer cities emerging as key destinations for metro infrastructure development

Note: This is for the projected period FY26-30

Source: Crisil Intelligence

Note: E- estimated, P- projected

Other infrastructure includes ports, airports, irrigation, telecom towers, warehousing

Urban infrastructure includes metro, water supply and sanitation and smart cities

## New-age investments

Investments in technology-driven assets such as data centres and digital hubs are expected to grow to cater to the rising demand for digital services, data storage, etc., positioning India as a competitive destination for global capital. The focus on such new-age infrastructure not only diversifies the capex portfolio, but also creates scalable, long-duration assets suitable for capital participation.

## Infrastructure Development through Asset Monetisation

The NIP envisaged an infrastructure investment of Rs 111 lakh crore over fiscals 2020-2025. As estimated by the Report of the Task Force for NIP (2019), traditional sources of capital are expected to finance 83-85% of the envisaged capex. Asset recycling and monetisation mechanism may finance 5-6% of the aggregate capex under the NIP.

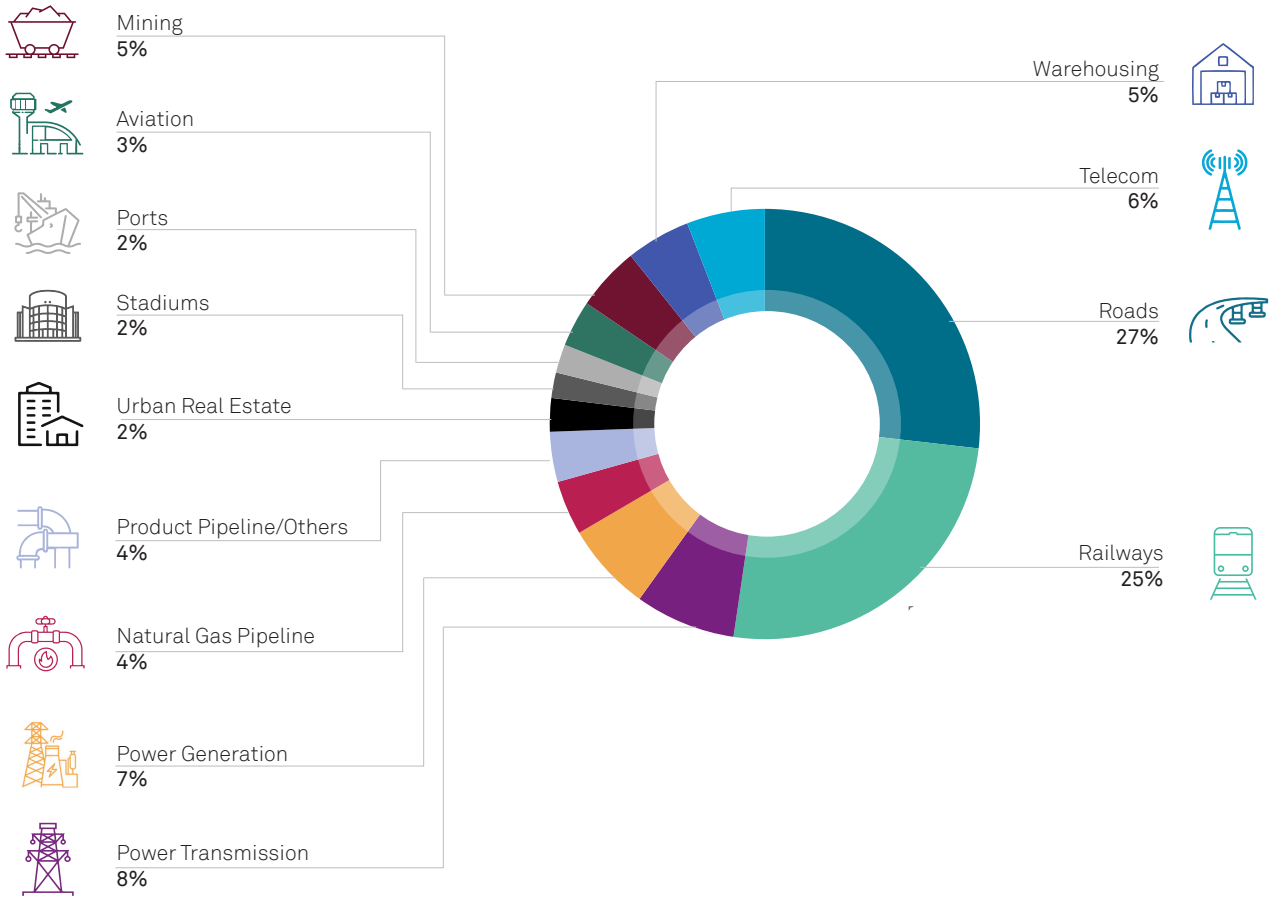
NMP provides direction to the monetisation initiative launched by the government in 2021 as part of the budget for fiscal 2022. It is a flagship initiative aimed at unlocking the value of brownfield public infrastructure assets. Unlike privatisation, which involves transfer of ownership, the NMP enables private sector participation by granting revenue rights to operate and generate income from existing

infrastructure projects for a fixed tenure, after which assets revert to government control.

This model is designed to mobilise private capital for infrastructure financing without increasing the fiscal burden, with proceeds reinvested in new greenfield projects under the NIP. The NMP is closely aligned with the NIP, providing a harmonised framework for infrastructure financing that integrates brownfield monetisation with greenfield development. It serves as a medium-term roadmap for ministries, offering visibility to investors and enabling asset performance monitoring to enhance transparency and efficiency.

Developed with support from NITI Aayog, the NMP 1.0 targets monetisation of Rs 6 lakh crore worth of core central government assets between fiscals 2022 and 2025. The sectoral contribution during this period is dominated by the top five sectors, which together account for ~83% of the aggregate pipeline value. The sectors include roads (27%), railways (25%), power (15%), oil and gas pipelines (8%) and telecom (6%). Notably, roads and railways constitute ~52% of the total NMP value. The initiative covers these key sectors, with structured partnerships involving contractual agreements, Infrastructure Investment Trusts (InvITs) and public private partnerships (PPPs) to ensure risk-sharing and stable returns for investors, while the government retains asset ownership.

**Sectoral allocation under NMP 1.0**



According to a Press Information Bureau release dated June 19, 2024, India monetised ~Rs 3.85 lakh crore of assets in the first three years of the NMP since its launch on August 23, 2021. The road transport and highways, and coal ministries were the top performers, collectively monetising Rs 97,000 crore in fiscal 2024. Other ministries including power, mines, petroleum and natural gas, urban development, and shipping also surpassed 70% of their respective targets.

Building on the momentum of NMP 1.0, the second phase (fiscals 2026 - 2030) aims to plough back Rs 10 lakh crore of capital in new infrastructure projects. Asset classes under NMP 2.0 will span highways, railways, power, petroleum and natural gas, civil aviation, ports, warehousing, urban infrastructure,

coal and mines, and telecom. Infrastructure development on vacant public land is expected to emerge as a major new avenue for asset recycling. However, the exact details are still awaited.

**The primary models of infrastructure asset monetisation are:**

- **Direct contractual/ PPP concession models:** These include variants such as operate maintain transfer, toll operate transfer (TOT), design build finance operate transfer (DBFOT) and carry operate transfer. Typically, a private party is entrusted with the operation, maintenance or even construction and upgradation of an existing brownfield asset for a defined period. The concessionaire recovers its investment through



user charges (such as tolls and appropriation fees) and transfers the asset back to the public authority at the end of the term

- InvITs and REITs: InvITs and real estate investment trusts (REITs) are capital markets-based vehicles that pool investor funds to acquire operational infrastructure or real estate assets. These trusts distribute ongoing revenue from assets to investors as dividends, enabling the original owner to recycle capital efficiently
- Securitisation/ revenue rights models: Owners may bundle and sell future revenue streams (user fees and lease rentals) without transferring core ownership, often through securitisation or rights-based instruments

**Factors determining selection of a monetisation model:**

- Asset maturity and revenue predictability (e.g., mature assets with reliable cash flows may suit

TOT or InvIT; greenfield or riskier assets may need DBFOT or PPP models)

- Risk allocation and financing needs (the extent of construction, operational and market risks willing to be transferred or shared with the private sector)
- Government policy and regulatory framework, ensuring legal clarity and sector-specific guidelines are in place
- Project scale and investor profile, with sizeable and diversified asset bundles favouring structured market instruments, while individual assets may be suited to direct concession model
- Macroeconomic and market appetite, reflecting prevailing capital market conditions and private sector investment interests

# Monetising assets through InvITs – a growing trend

The Securities and Exchange Board of India (SEBI) introduced InvIT regulations in 2014, recognising them as a distinct asset class.

As of March 31, 2025, the Indian InvIT landscape comprised 26 InvITs, with 22 listed on the stock exchanges. Based on the mode of fund-raising in the initial offer, InvITs can be classified as public- and private-listed.

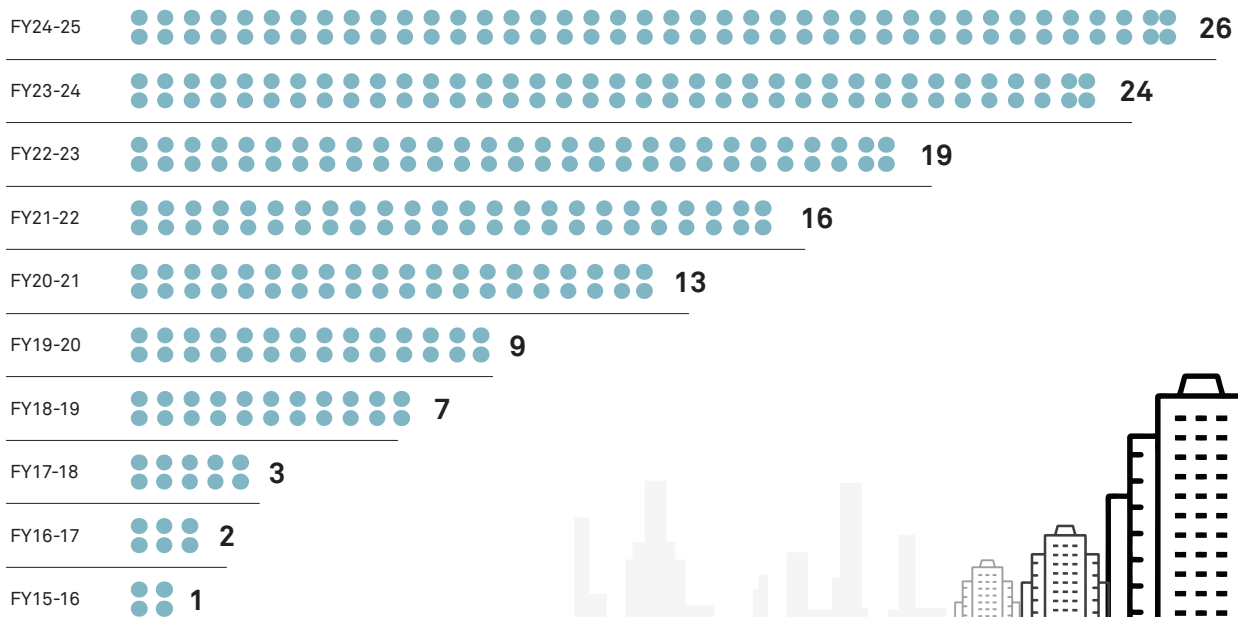
Public-listed: offer units in the initial offer to public (i.e. all classes of investors) and are listed on

recognised stock exchanges.

Private-listed: offer units in the initial offer on private placement basis to institutional investors and body corporates. They are listed on recognised stock exchanges.

Of the 26 InvITs registered with SEBI, five are publicly listed, while 17 are privately listed. Notably, the first InvIT in India was the IRB InvIT Fund, which was registered with SEBI in 2016.

## Cumulative number of InvITs registered with SEBI



Source: SEBI

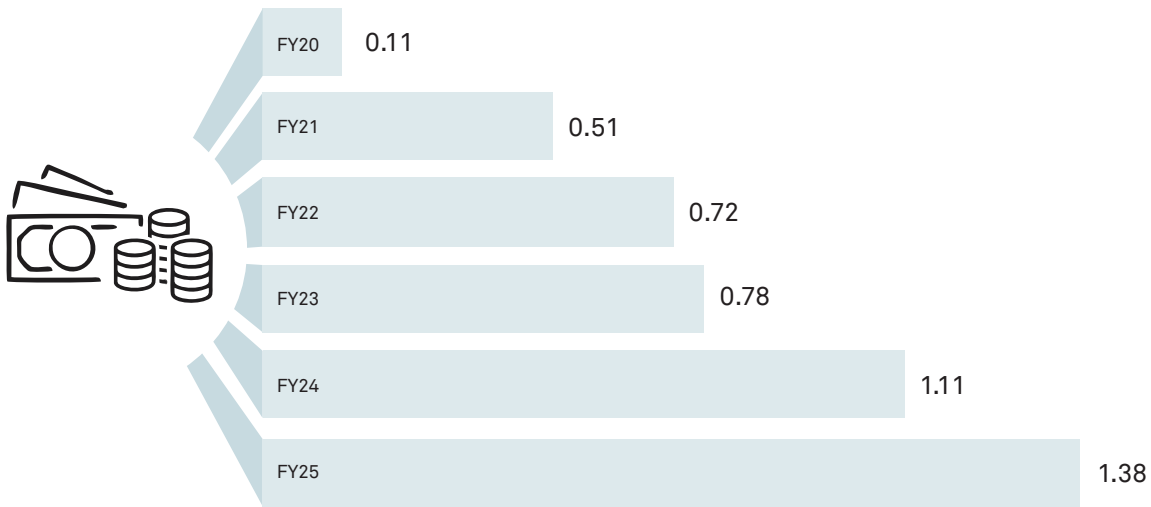
## Funds mobilised by InvITs logged a CAGR of ~65%

The total funds mobilised by InvITs surged to Rs 1.38 lakh crore in fiscal 2025 from Rs 0.11 lakh crore in fiscal 2020.

The steady growth in fundraising and rising investor confidence underscores the potential of InvITs as a viable and attractive investment option.

**Cumulative funds mobilised by InvITs**

Rs lakh crore



Source: SEBI

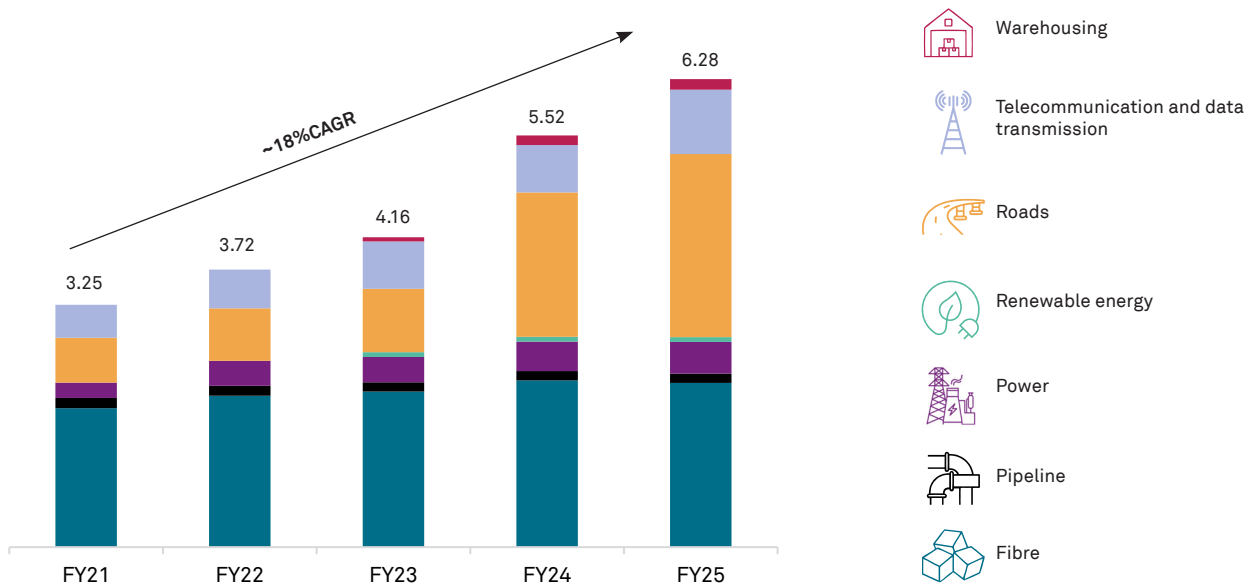
**InvIT AUM logged a CAGR of ~18%, almost doubling over fiscals 2021-2025**

Since their inception, InvITs have consistently expanded their asset base, with significant growth in

assets under management (AUM)<sup>1</sup>. As of fiscal 2025, the total AUM of InvITs stood at ~Rs 6.28 lakh crore, representing a CAGR of ~18% between fiscals 2021 and 2025.

**Sector-wise AUM split for InvITs**

Rs lakh crore



Source: Annual report, valuation report, Crisil Intelligence  
Data as on March 31, 2025

<sup>1</sup>The AUM considered is the sum of enterprise value (EV), not adjusted for cash and cash equivalents, as disclosed in the annual report and valuation report.

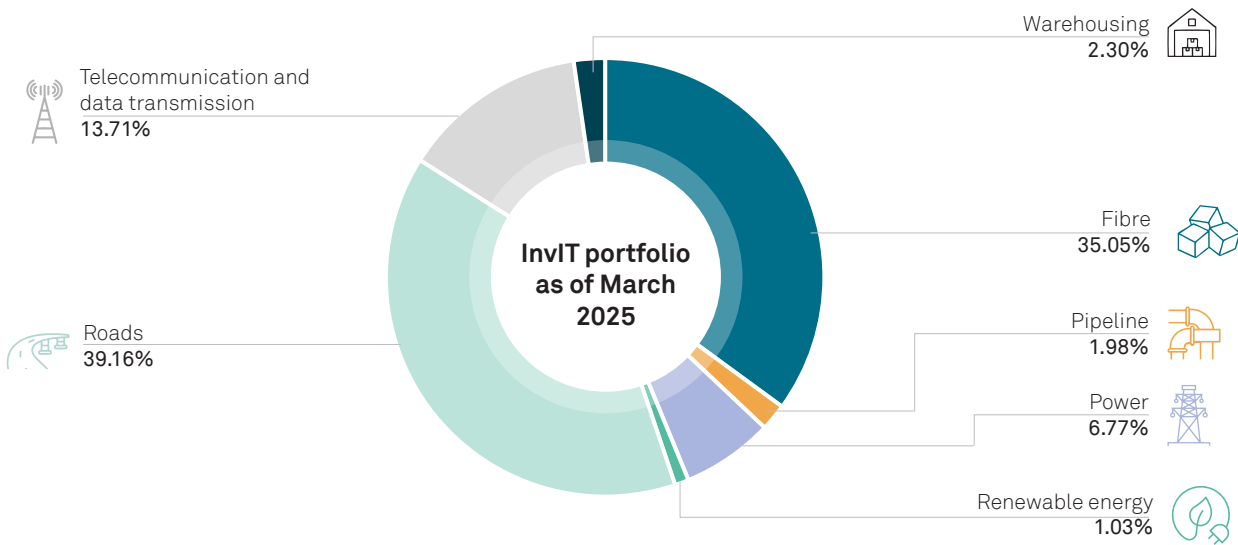


**Road sector dominates InvIT AUM**

InvITs can invest in assets which fall under any sub-sectors included in the Harmonized Master List of Infrastructure Sub-sectors, notified by the Ministry of Finance, from time to time. Currently, InvITs manage assets in sectors such as roads, warehousing, pipeline, fibre, renewable energy, telecommunication, data transmission and power.

As of March 2025, the InvIT portfolio was concentrated in the core infrastructure sectors, with roads accounting for ~39% of total AUM, followed by

fibre (~35%) and telecommunications (~14%). Other sectors, including power, warehousing and renewable energy, accounted for a smaller share of the overall portfolio. In terms of the number of registered InvITs, as of March 2025, the road sector led with 15, followed by power and warehousing with three each, and others such as fibre, pipeline, renewable energy, telecom and data transmission with one each. This composition highlights the sector’s focus on transport and energy assets, while also indicating opportunities for diversification and growth.



Source: Annual report of respective InvITs, valuation report, Crisil Intelligence

# Factors driving the growth of InvITs

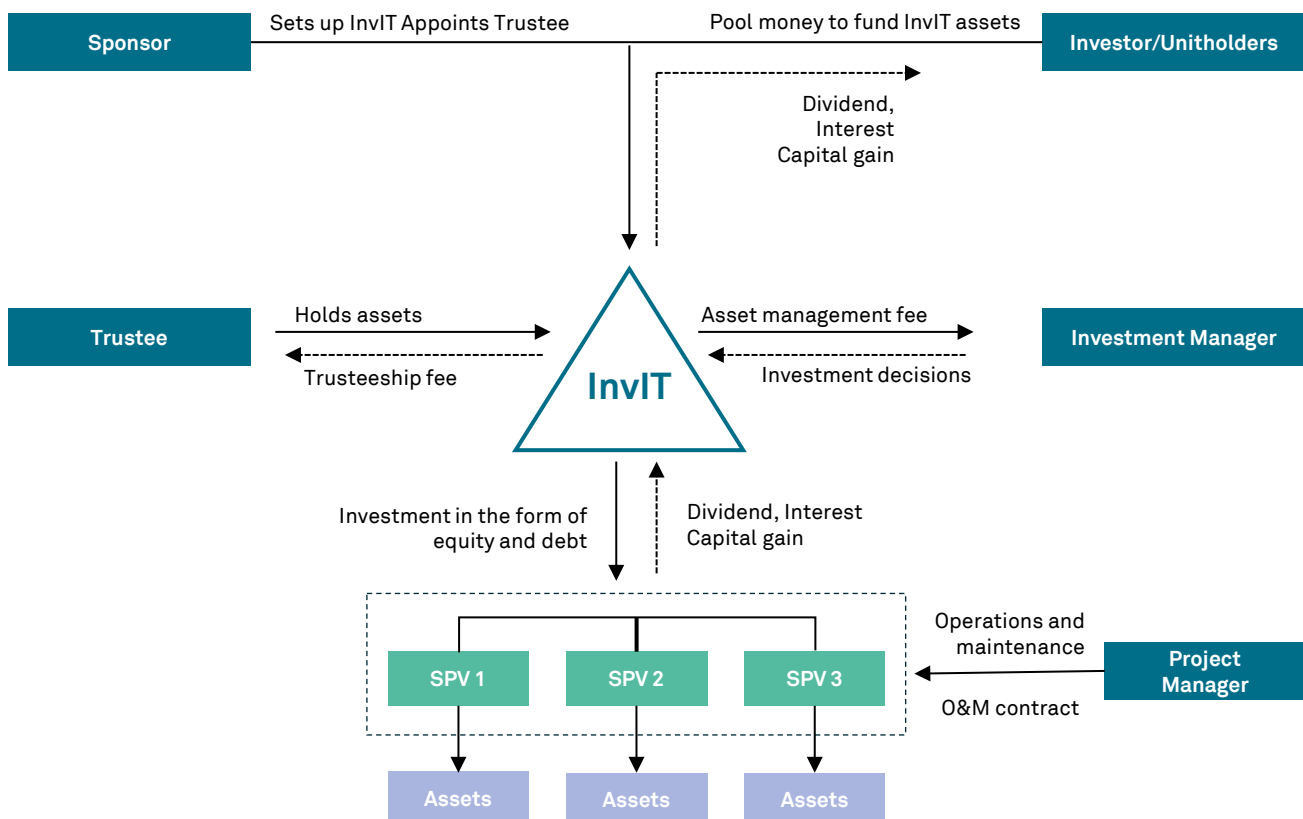
Some factors that make InvITs the preferred choice for asset monetisation are as follows:

## Centralised control of operations through investment manager/ project manager

An InvIT has a tiered structure with a sponsor that sets up the trust and contributes infrastructure

assets, a trustee that safeguards unitholder interests, an investment manager that makes investment decisions and a project manager to execute and manage daily operations. Investors, or unitholders, buy units representing ownership and earn income from the infrastructure assets held in the trust.

### InvIT structure



## Benefits to sponsors (asset owners/ developers)

Some of the key reasons infrastructure developers, public sector undertakings and government bodies prefer using InvITs to monetise existing assets are as follows:

### Unlocking capital and value realisation

- InvITs enable sponsors to monetise operational and revenue-generating assets without a complete sale
- They can realise upfront cash by transferring assets to the trust and issuing units to investors
- This unlocks value tied up in mature assets and frees capital for new greenfield projects or debt repayment

### Balance sheet strengthening and debt reduction

- The proceeds from InvIT monetisation allow sponsors to deleverage, lowering debt-to-equity ratio and improving liquidity
- A lighter balance sheet improves their credit profile and capacity to bid for new projects

### Continued operational control with partial divestment

- Sponsors often retain a stake and manage or operate the assets through the investment manager
- In many cases, the original developer (sponsor) keeps acting as project manager, retaining operational and maintenance control over the assets for a fee
- This ensures strategic control, while releasing capital

### Lower cost of capital

- InvITs pool long-term institutional investors seeking steady returns, enabling access to cheaper capital than project-level borrowing
- As an InvIT is seen as lower-risk (diversified, cash-generating assets), its cost of debt is lower compared with a standalone developer

## Scalable and repeatable monetisation platform

- Once an InvIT is established, sponsors can add more assets periodically, creating a sustainable monetisation pipeline
- This provides a recurring capital recycling mechanism, unlike one-time asset sales

## Taxation and pass-through benefits

Indian InvITs operate as pass-through entities, which means the income generated by the underlying infrastructure projects flows directly to unitholders without being taxed at the trust level. This structure enhances returns, while providing infrastructure companies significant tax benefits unavailable to traditional corporate structures.

Pass-through taxation benefits of InvITs include:

- No tax on income at the trust level, reducing the tax burden on investors
- No dividend distribution tax on income distributed to unitholders at the trust level (depending on the corporate tax regime the underlying special purpose vehicles adopt)
- No capital gains tax on the sale of infrastructure assets at the trust level

## Benefits to investors (institutional/ retail/global)

InvITs are appealing to investors, which drives demand and makes the model sustainable. Some of the factors are as follows:

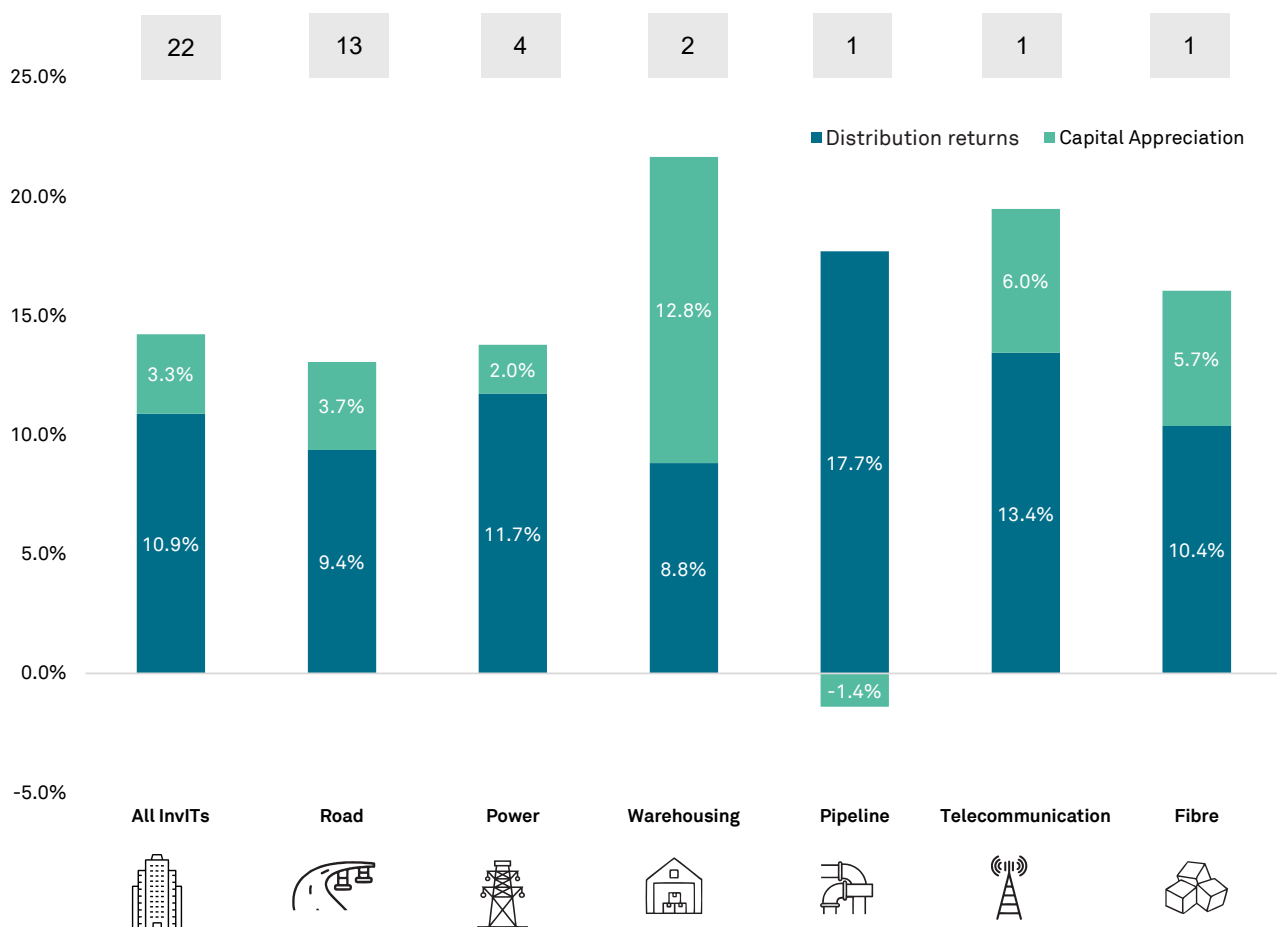
### Predictable and stable cash flows

- InvITs must invest at least 80% in operational and revenue-generating assets, ensuring steady inflow of cash. In case of publicly listed InvITs, a maximum investment of 10% of AUM is allowed in under-construction projects over and above investment in operational and revenue-generating assets. By limiting investment in under-construction projects, the regulations mitigate risks associated with such projects, including construction risk (delays, cost overruns), project completion risk (non-completion or delays) and revenue generation risk (no revenue during construction). This cap incentivises InvITs to focus on operational assets that generate stable cash flows, reducing the overall risk profile of the portfolio.

- Investors receive periodic distributions (dividends + interest + capital repayment) backed by actual cash flow from roads, power lines or pipelines. The returns are a combination of price movement and distribution yields. The SEBI mandates InvITs to distribute at least 90% of net distributable cash flow to unitholders, ensuring predictable income for investors. For publicly listed InvITs, payouts must occur at least once every six months, creating a semi-annual cash cadence by regulation
- Long-term concession agreements and regulated tariffs reduce volatility
- Many infrastructure projects have inflation-linked revenue models (for example, tolls, transmission tariffs), which help investors preserve real returns
- As on March 2025, InvITs have delivered a pooled extended internal rate of return (XIRR) of 14.2%, of which 10.9% is attributable to distributions and the remaining 3.3% to capital appreciation

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*We expect debt plus returns from InvIT. The scheme within MF is decided basis the scheme objective and alignment of expected returns*  
 – MF manager  
 ”

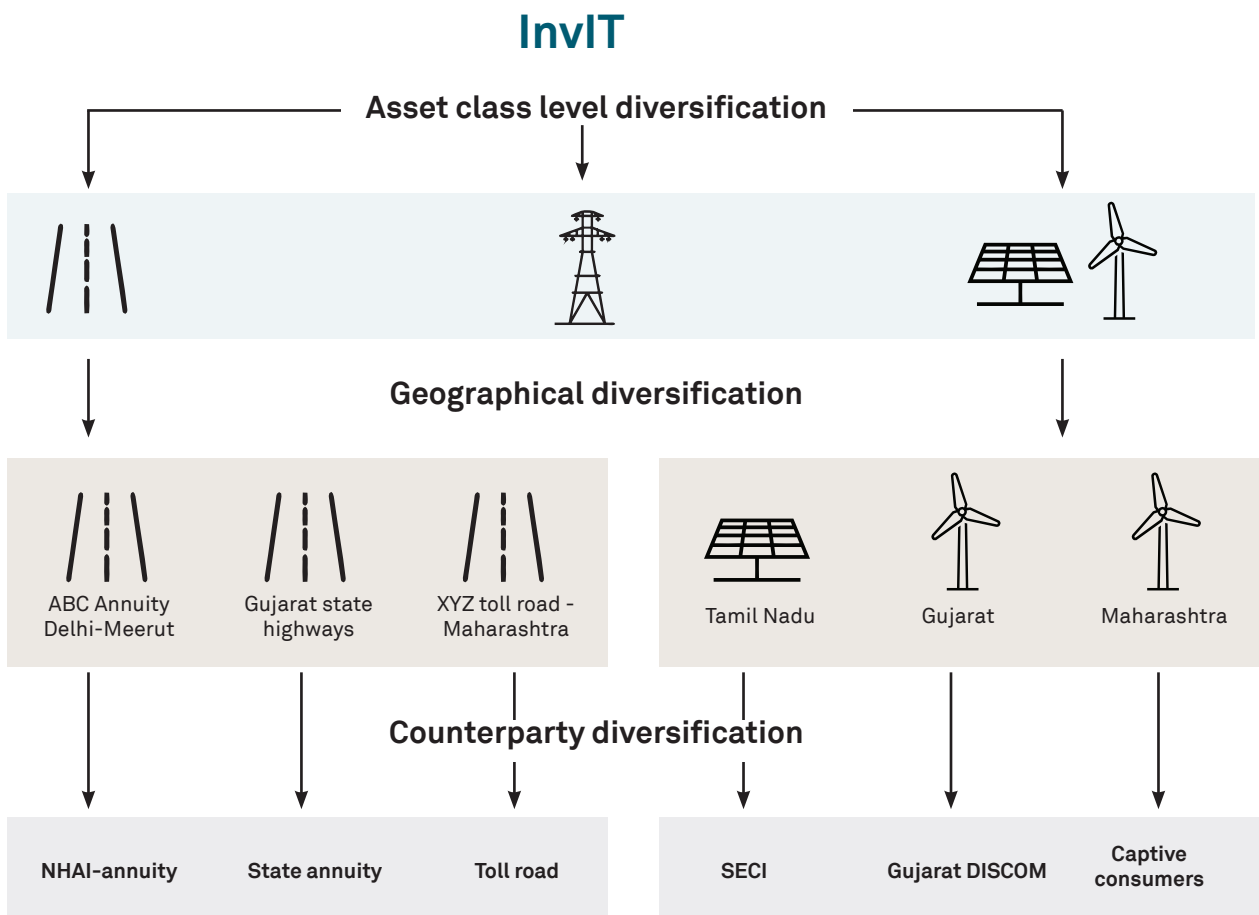
### Distribution yields drive InvIT returns



Source: Valuation reports, annual reports and stock exchange filings, Crisil Intelligence  
 \* XIRR calculation based on NAV and distributions till March 31, 2025; in the case of public listed InvITs, the traded price has been considered, whereas NAV has been considered in case of privately listed ones  
 Above calculations are based on investment in 1 unit at the time of initial offer

**Portfolio diversification**

- InvITs give exposure to infrastructure assets, an asset class otherwise hard to access for retail or institutional investors
- Returns are uncorrelated with equities or traditional fixed income, adding diversification to portfolios
- InvITs offer investors a unique opportunity to diversify at multiple layers. Hence, it is a robust risk management strategy for investors. At the asset class level, these trusts allow investors to diversify their portfolio beyond traditional asset classes such as equity and debt, by investing in infrastructure assets such as roads, bridges and energy transmission lines.
- InvITs also provide geographic diversification, as they can invest in infrastructure projects across different regions and countries, thereby reducing dependence on any one particular market or economy.
- Furthermore, they also offer counterparty diversification, as they typically have a diversified pool of users, tenants or off-takers, such as government entities, corporates or other institutional counterparties, which reduces the risk of default or non-payment.
- By investing in InvITs, investors can, therefore, benefit from a diversified portfolio that spreads risk across different asset classes, geographies and counterparties, which will make their investment portfolio more stable and resilient.



### **Liquidity via listed units, regulatory oversight and transparency, and professional management:**

Unlike traditional project loans or bonds, several InvITs are listed on stock exchanges, providing secondary market liquidity.

SEBI-mandated disclosures, valuation norms and distribution policies ensure transparency and governance.

Experienced professionals manage assets in an InvIT, ensuring efficient operation and maintenance.

### **Supportive regulatory framework**

Since their introduction in 2014, the SEBI has either issued a circular or a notification almost every year refining InvIT regulations tightening the standard of investor safeguards, disclosures, leverage, conversion or governance. The regulations have evolved significantly over the past decade, driven by market growth, practical learnings and demand for enhanced governance and investor protection.

#### **Early regulations (2014-2017)**

The SEBI introduced InvITs formally in September 2014. The SEBI (Infrastructure Investment Trusts) Regulations, 2014, formed the basic framework for registration, structure and operation. Early amendments to the framework focused on practicalities, initial public offerings (IPO) and listing provisions, private placements, sponsor requirements and enabling foreign and institutional investment. Tax incentives and exchange control relaxations soon followed, paving the way for the registration and listing of InvITs in 2016 and 2017.

#### **Market deepening and structural flexibility (2018-2020)**

In 2018, the SEBI refined the IPO/private placement processes of InvITs, introduced provisions to facilitate strategic investor participation, streamlined investment portfolio and leverage norms. Leverage limit was raised to 70% from 49%, subject to strict credit rating conditions and demonstrated distribution track, augmenting borrowings for acquisition and expansion. Further, the amendments enabled rights issues and

conversions between listed and unlisted InvITs, and broadened lending access for InvITs. Corporate governance prescriptions, especially for those with large outstanding debt securities, were progressively applied. They were mostly borrowed from the governance norms for listed companies.

#### **Prescriptive governance (2021-2023)**

With growing retail and institutional participation, SEBI has laid down more stringent governance rules, including Board composition standards, committee structures, induction of independent directors and stewardship responsibilities. Disclosure requirements, audit protocols and stewardship codes were formalised for greater transparency.

Notably, in 2022, the framework for unlisted InvITs was discontinued, triggering listings and narrowing the regulatory focus to publicly listed structures. Also, timelines for listing and conversion of InvITs from one structure to another were aligned and reduced, and rules for follow-on offerings were simplified.

#### **Recent reforms (2024-2025)**

More recent amendments focused on sponsor lock-in flexibility, streamlining of conversion procedures from private to public InvITs, reduction of lock-ins and simplified disclosure norms to facilitate smoother transitions and encourage broader market participation. These changes also reinforce director nomination protocols and trustee roles and set out distinct rules for issuance and management of subordinate units to further institutionalise governance in the market.

“

The regulatory environment for InvITs in India is evolving, and the Securities and Exchange Board of India is taking a cautious approach to ensure that the industry grows in a stable and secure manner

– InvIT industry expert”

## A proven global model

REITs were set up after the United States (US) Congress created in 1960 a vehicle to give all investors an opportunity to invest in large-scale, diversified portfolios of income-producing real estate. This innovation has since become a structure that is adopted around the world. The first European REIT legislation was passed in the Netherlands in 1969, marking the beginning of the global spread of the model. Listed property trusts were launched in Australia in 1971. REITs started life in Malaysia as a property trust in 1989. In 1993, Brazil became the first country in South America to adopt REITs. In the Middle East, Turkey adopted REITs (initially structured as REICs<sup>2</sup>) in 1995, followed by Israel and Dubai in 2006.

It is now India's turn to unlock the potential of its infrastructure assets using these investment vehicles that own and manage income-generating assets. The country has created a unique regulatory framework that distinguishes between REITs (focused on commercial real estate) and InvITs (focused on infrastructure projects).

SEBI introduced InvIT regulations in India in September 2014 through the SEBI (Infrastructure Investment Trusts) Regulations, 2014. The first InvIT in India was the IRB InvIT Fund, which was registered with SEBI in 2016.

## Small but growing: India's place in the global REIT market

There are more than 1,200 registered REITs spread across more than 42 countries, representing about 85% of the global GDP and a combined population of over 5 billion people. These REITs have a combined market capitalisation of around \$2.12 trillion<sup>3</sup> (as of June 2025).

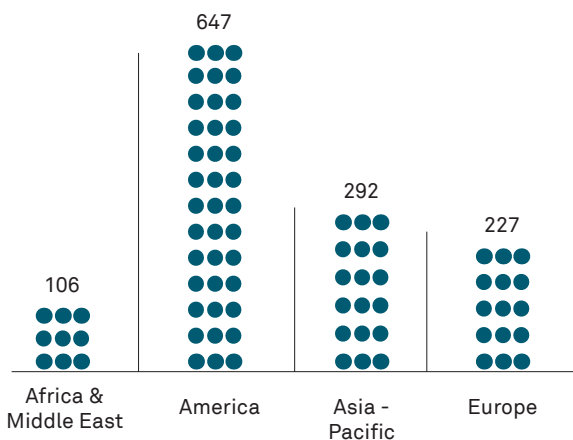
The Americas has the most registered REITs, at 647. Brazil accounts for nearly 66% of this, followed by the US with around 26%. The Asia-Pacific region has 292 registered REITs, primarily in Japan, Thailand, Australia and Singapore. Europe has 227 REITs, while Africa and the Middle East account for 106 REITs.

The US remains the largest and most mature REIT market, contributing around 63% of the global market capitalisation. The Americas account for around 68% of global market capitalisation, followed by the Asia-Pacific region at 19%, Europe at 10% and Africa & Middle East at around 2%.

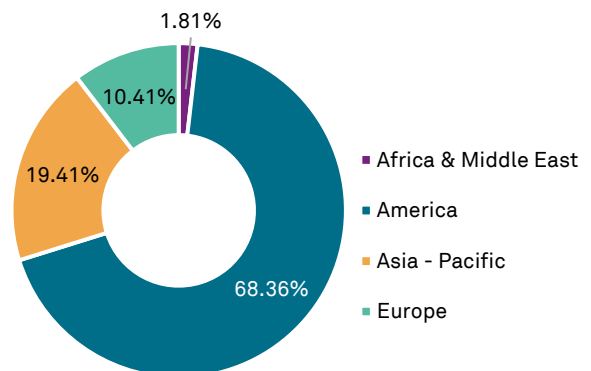
The Indian REIT and InvIT market have shown impressive growth, however, it is still in its nascent stages, with considerable scope for expansion and development.

### America has the largest share of registered REITs, followed by the Asia Pacific

Number of REITs



Percentage of Market capitalization



Data as on June 30, 2025  
Source: EPRA Global REIT Survey 2025

<sup>2</sup>In Turkey, REITs are structured as Real Estate Investment Companies (REICs)

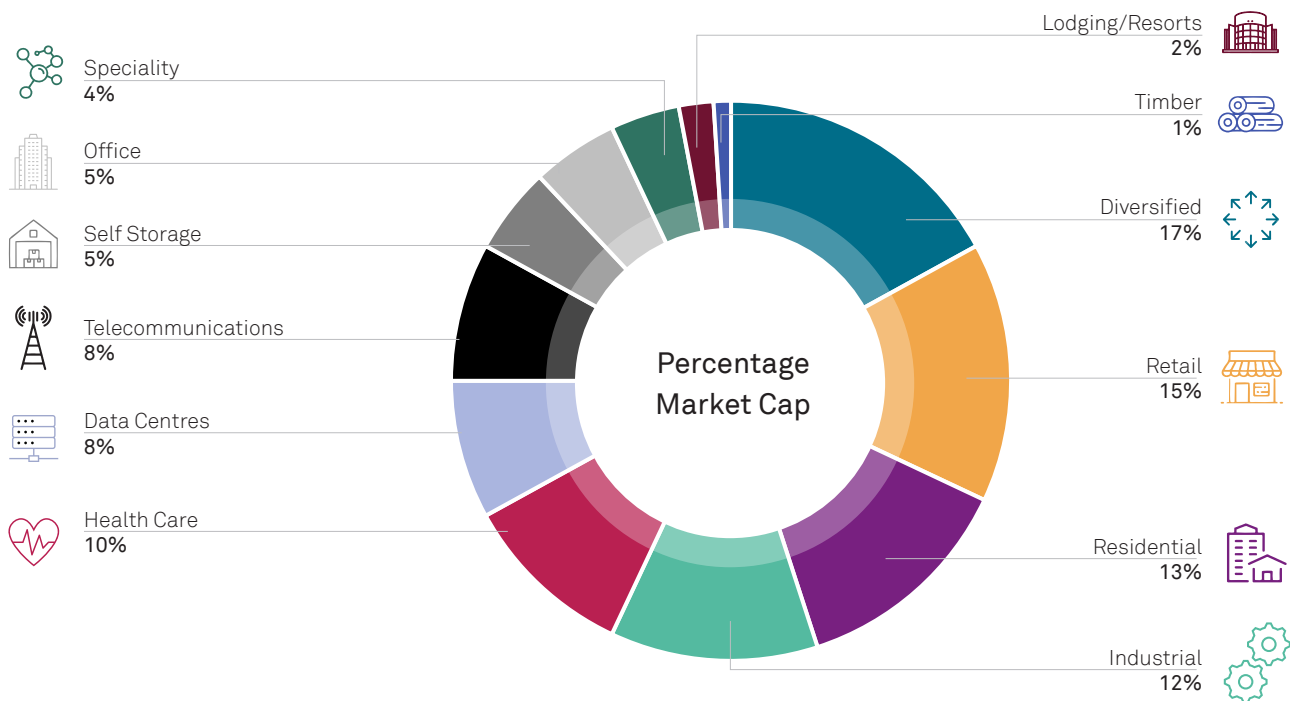
<sup>3</sup>Market capitalisation is calculated as the sum of individual country market capitalisations, using exchange rate of 1 EUR = 1.172 (June 30, 2025).  
Source: EPRA Global REIT Survey 2025

### Global sectoral market capitalisation distribution

The global REIT market demonstrates a diversified sectoral composition, reflecting the breadth of REITs worldwide. The traditional four property sectors (retail, residential, office and industrial) account for about 45% of the market capitalisation.

Segments such as healthcare (10%), data centres (8%) and telecommunications (8%) also contribute to a meaningful percentage, reflecting how REITs continue to embrace the emerging areas of real estate.

### Property forms a major portion of the global REIT sector market capitalisation



Source: FTSE/Nareit Global Extended index equity market capitalisation of property sectors as on December 31, 2024

# Sectoral assessment of key sectors in InvIT

## Road: Leading the InvIT growth story

The road sector is a prominent segment for InvITs in India as it has emerged as the largest contributor to the InvIT landscape (approximately 40% of the AUM and growing).

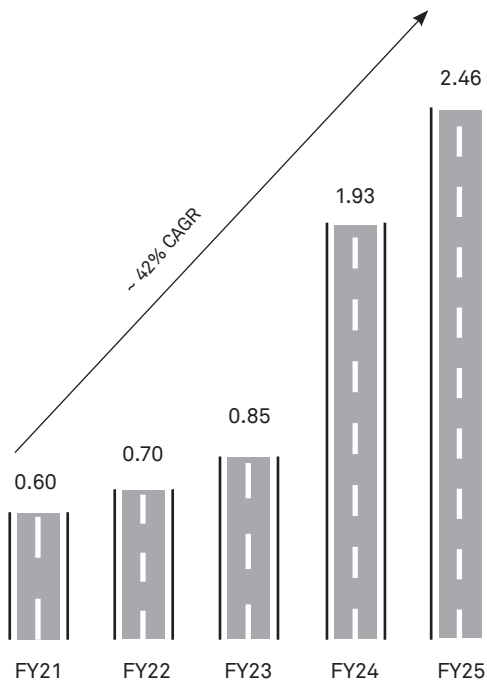
As on March 31, 2025, there were 26 InvITs registered with SEBI, of which 15 were road InvITs. Of these 15 InvITs, 13 were listed as on March 31, 2025. The AUM for road InvITs has increased to Rs 2.46 lakh crore in fiscal 2025, from Rs 0.60 lakh crore in fiscal 2021, clocking a CAGR of approximately 42%. The number of road InvITs has tripled in the last five years and more than doubled in past three years.

“  
Road InvITs offer stable cash flows, which are inflation-indexed and linked to India’s GDP, making them a preferred choice for investors  
”  
– InvIT industry expert

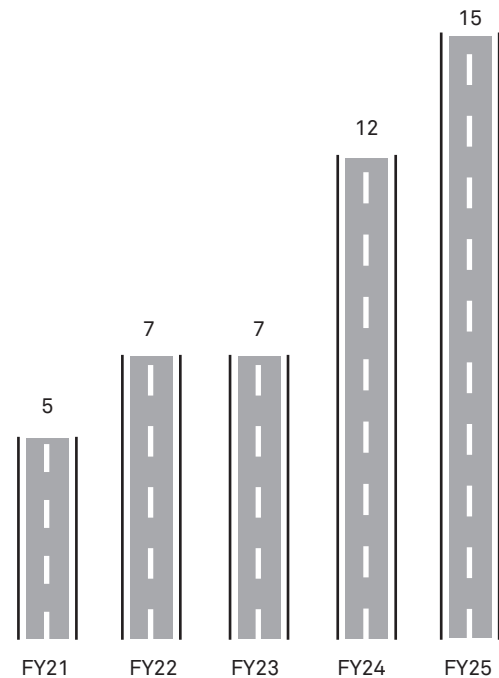
### Road InvITs have grown faster than others

Rs lakh crore

Road InvIT AUM



Cumulative number of road InvITs



Data as on March 31, 2025  
Source: Annual report, valuation report, Crisil Intelligence

## Sources of revenue for the road sector

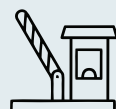
Road InvITs get revenue primarily from toll collections at operational highways and expressways under long-term concession agreements, often governed by fixed escalation clauses or inflation-linked adjustments. Certain projects operate under annuity or hybrid models, where InvITs receive periodic payments from government agencies irrespective of

traffic volumes, ensuring stable cash flows. Additional income streams include non-toll revenues such as lease rentals from service facilities, advertisements and commercial developments along highways. As traffic volumes expand with economic growth and freight movement, these diversified revenue sources contribute to steady and predictable returns for unitholders.

## Key statistics on road InvITs



They manage **71,886** lane km of road network (March 2025)



The portfolio held by road InvITs has **183** assets. As of March 2025, toll-based ones constitute **~57%** of the assets in the portfolio, hybrid annuity model (HAM) assets account for **~29%**. Ten assets are based on toll-plus-annuity and the rest are part of pure annuity projects



The National Highways Authority of India (NHAI) is the primary concessioning authority for most of the assets. Out of the **183** assets, **85%** are concessioned by central authorities (NHAI and MoRTH) and **15%** by state-level authorities



Thirteen road InvITs operate **183** assets across **23** states, reflecting a broad national footprint. This underscores the maturity of the sector and its role in connecting key economic corridors across the country

## ROFO and SPA assets for the road sector

In addition to the operational assets already housed within an InvIT, there are also the right of first offer (ROFO) and share purchase agreement (SPA) assets. These represent acquisition potential.

ROFO assets are projects owned by the sponsor or its affiliates where the InvIT has the first right to acquire them when they are ready for monetisation, ensuring a visible and well-defined growth pipeline. SPA assets are projects for which the InvIT has already entered into a binding purchase agreement,

with acquisition pending completion of regulatory or contractual conditions.

In road InvITs, there are 49 proposed acquisitions via ROFO and 14 via SPA routes.

### Key growth driver of the road sector

- **Strong government monetisation pipeline:** A significant volume of road assets is being monetised via programmes such as the National Monetisation Pipeline (NMP), creating a ready supply of completed operational assets suited for InvIT structures
- **Untapped opportunity and long-run visibility:** Although road InvITs are well represented, a significant portion of national highway/road infrastructure still remains to be monetised and transferred into the InvIT structure, offering long-term expansion potential
- **Predictable cash flows and contract structures:** Concession frameworks with availability/toll-linked revenues, along with long-term concession agreements, continue to underpin predictable cash flows — making road InvITs attractive to institutional investors seeking stable yields
- **Growing domestic institutional participation:** Increasing comfort among domestic insurance companies, pension funds and mutual funds are likely to deepen capital inflows into road InvITs, broadening the capital base

This sector will continue to be the dominant sector under InvITs in five years. However, a clear and stable regulatory framework is essential for the growth of InvITs in India, as it directly impacts the risk-return profile of these investment vehicles.

Government policies and regulation play a critical role in shaping the growth trajectory of road InvITs. For instance, tolling rules create the basis for asset valuation and yield predictability, which are central to InvIT viability. Similarly, the cancellation of TOT bids frequently due to the bids falling below government reserve prices or initial estimated concession value disrupts the anticipated capital flows to InvITs. This impacts asset pipelines and undermines the government's target for raising funds through monetisation.

## Powering growth: rise of InvITs in energy sector

As of March 2025, the power and energy sectors together comprised four registered InvITs, managing a combined AUM of ~Rs 48,952 crore, accounting for nearly 8% of total InvIT AUM in India.

InvITs in this space have emerged as a preferred investment avenue for infrastructure investors, offering participation in India's growing energy ecosystem that underpins industrial expansion and the transition toward clean energy.

The power industry is divided into three categories: Generation, transmission and distribution.

- **Generation** refers to the process of producing electricity from different sources such as thermal energy (coal, diesel etc.), nuclear, and renewable sources—sunlight, wind, natural gas, at generating stations or power generation plants
- **Transmission** involves transporting large amounts of electricity from power plants to distribution substations through a high-voltage grid
- **Distribution** refers to the retail supply of electricity to consumers at lower voltages

Current InvITs in this sector collectively own around 55 power assets. Of these, approximately 49% are in the transmission segment, while the remaining 51% are in the generation segment, primarily solar projects.

As India accelerates its renewable energy integration, interstate grid strengthening and expansion of digital infrastructure, the demand for transmission lines, substations and data-transmission infrastructure continues to rise. These assets are particularly attractive for InvITs as they typically have long contract tenures, regulated or fixed revenue streams and are essential to national growth.

### Key parameters for power and energy InvITs

Power and energy InvITs are typically assessed based on circuit length, voltage levels and transformation capacity, which together determine the scale and load-handling capability of assets under transmission service agreements (TSAs for transmission projects) or power purchase agreements (PPAs for generation projects). These assets operate under long-term contracts, providing

strong cash flow visibility. Revenue models are largely regulated and linked to line availability rather than actual power transmitted. By minimising demand-related volatility, tariff-based competitive bidding (TBCB) mechanisms ensure predictable and regulated returns, while diversified portfolios across multiple states and regions help mitigate regulatory and operational concentration risks.

“  
The regulatory regime for transmission has been stable, making it an attractive sector  
– InvIT industry expert  
”

## Key statistics



Approximately Rs **48,952** crore (~8% of total InvIT AUM) as of March 2025



The sector collectively has an approximate installed capacity of **2282** MW (AC) as of March 2025



As of March 2025, the InvITs in this sector collectively manage a total network length of ~**13,021.59** circuit kilometres (ckm)



The average TSA tenure for transmission projects averages ~**33** years, while for generation projects under PPA, it averages at ~**22** years from commencement of operations



Geographical footprint of the power and energy assets extends across **22** unique states, ensuring strong regional diversification

“  
The energy sector is expected to be a significant part of InvITs, with high growth potential and stable cash flows  
– InvIT industry expert  
”

## Key growth drivers

Supported by government policies, the power and energy InvIT space is poised for steady growth, driven by rising investor interest and the ongoing shift toward sustainable infrastructure development.

- Policy push towards renewable transition: Continued emphasis on renewable integration, green corridor development and grid modernisation is expected to drive asset creation and monetisation opportunities
- Stable, long-term cash flows through TSAs/PPAs: Long-duration TSAs and PPAs ensure predictable and inflation-linked revenue visibility for investors
- Digitisation and operational efficiency gains: The adoption of advanced grid monitoring, predictive maintenance and smart energy management systems is enhancing asset reliability and investor confidence, making these InvITs more attractive

## Warehouse InvITs: Unlocking value in logistics revolution

As of March 2025, the warehousing sector—comprising three registered warehousing InvITs with the SEBI—accounted for ~2.3% of total InvITs AUM. Notably, only two of them are listed as of March 2025, managing a combined AUM of ~Rs 11,491 crore.

The warehousing sector is becoming an increasingly important component of infrastructure-InvIT portfolios in India. With rapid growth in e-commerce, third-party logistics (3PL), manufacturing and supply-chain modernisation, the demand for high quality warehouse space is rising. Warehousing leasing volumes and transaction activity across major industrial/logistics hubs has been strongly driven by the both consumption and manufacturing demand, extending to Tier-2/-3 cities. The

government has also intensified its focus on strengthening logistics infrastructure through initiatives such as PM Gati Shakti and National Logistics Policy. Incorporating this sector into InvIT portfolios allows investors to tap into predictable rental income, long leases and operational warehouses that support supply chains across the economy.

### Key parameters

The performance and attractiveness of warehousing InvITs are assessed through operational and portfolio-based parameters. These include total leased area, occupancy levels, tenant mix and lease tenure diversification—all of which influence income stability, rollover risk and long-term value creation.

### Key statistics



Three warehousing InvITs (two listed as of March 2025)



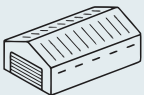
The two listed InvITs collectively accounted for total warehouse space of **~32.4** million sq ft as of March 2025



~Rs **11,491** crore (~**2.3%** of total InvIT AUM)



Warehousing InvIT (by AUM) reported a weighted average lease expiry (WALE) of **11.3** years as of March 2025



Warehousing InvITs collectively managed a portfolio of around **128** warehouses, with some InvITs having high occupancy level of around **98%** as of March 2025



The portfolio of warehouses is strategically located near big manufacturing and marketing hubs, with a higher concentration in southern and western regions, followed by northern and eastern markets

### Assets under ROFO for warehousing sector

To gain a holistic view of the warehousing InvIT's growth potential, it is important to consider the Right of First Offer (ROFO) assets. These assets, though not currently part of the InvIT portfolio, represent

a strong future acquisition pipeline that ensures sustained asset and revenue expansion. They provide visibility into upcoming opportunities that can enhance diversification and scale.

## ROFO portfolio overview

The warehousing InvITs ROFO portfolio comprises assets located across south zone (Hosur, Coimbatore, Cochin, Chennai), west zone (Hyderabad, Pune) and east zone (Lucknow). These assets represent a mix of built-to-suit, under-construction and ready facilities strategically positioned across major production and consumption markets. The portfolio is diversified across industries including logistics and 3PL, automotive, agriculture, consumer durables, electronics and industrial segments. The total pipeline size, comprising under-construction and future development assets across all zones, stands at ~1.8 million sq ft.

## Key growth drivers

The warehousing sector is set to witness a sustained momentum, backed by structural reforms, strong demand drivers and increasing institutional participation.

- E-commerce and 3PL expansion: Rapid growth in online retail and organised logistics continue to fuel demand for grade-A warehousing across key consumption hubs
- Government and policy support: Initiatives such as PM Gati Shakti, National Logistics Policy and PLI schemes are strengthening multimodal connectivity, thereby enabling large-scale private investment
- Strong sponsor pipeline: Presence of ROFO and under-construction assets ensures visibility of future asset inflow, supporting portfolio expansion and scalability

- Diversified tenant base and sectoral exposure: Mix of 3PL, FMCG, automotive and industrial tenants reduces concentration risk and strengthens portfolio resistance

## Key challenges

- Limited operating history and valuation benchmarks: Absence of sufficient historical performance data and trading benchmarks makes valuation and pricing less transparent
- Liquidity and secondary market depth: Limited institutional participation constrains liquidity and affects price discovery
- Shorter lease tenure compared with other infrastructure assets: Warehousing assets typically have less lease duration (~11.3 years for largest warehousing InvIT) compared with longer concession periods in road or power assets, leading to higher perceived renewal and vacancy risk

“Warehousing and logistics are expected to see greater traction in InvITs in coming years

– InvIT industry expert and investment banker”



# Tapping the untapped potential of InvITs in India

Considering the growth drivers, policy tailwinds, capital optimisation by corporates, rising institutional investor allocations and expanding asset base, the AUM for InvITs in India is estimated to reach Rs 21 lakh crore by 2030, according to Bharat InvIT Association. This is also on the back of significant scaling up of existing sectors as well as inclusion of new asset classes into the InvIT framework.

Consequently, InvITs can provide a new avenue for investors to participate in the growth of India's infrastructure sector, in turn transforming the country's infrastructure investment landscape.

To be sure, the potential of InvITs is largely untapped in India. For instance, in the roads sector, InvITs currently account for only a fraction of the total operating toll assets, leaving a significant portfolio of assets that can be monetised in the future. Similarly, in the renewable energy space, despite the country's impressive installed solar capacity, InvITs manage only a small percentage of operational assets, indicating a vast scope for expansion as the government aims to increase solar capacity to 230 GW by 2030. The logistics sector also presents a similar picture, with only a small portion of the total warehousing space of private operators part of InvIT structures.

Other critical infrastructure sectors, such as airports, ports and wind energy, have seen increasing private participation via PPPs and concessions, but InvIT penetration remains limited because of challenges in creating stable revenue models.

However, with the right policy support and risk-sharing mechanisms, these challenges can be overcome, and InvITs can play a significant role in bridging the infrastructure funding gap. Policy instruments such as viability gap funding, long-term operation and maintenance agreements, and predictable regulatory frameworks can help generate sustainable cash flows and, thereby, attract investors.

The opportunity for InvITs is not limited to existing assets; the government's plans for capacity additions across sectors, including roads, renewable energy, ports, airports, power transmission and logistics, driven by economic growth, urbanisation and industrial expansion, will create a sizeable addressable market. The government's push for private investment through PPP policies and asset monetisation plans under NMP 2.0, which aims to raise Rs 10 lakh crore by 2030, will further boost the growth of InvITs.

While the government's asset pipeline remains a key growth driver, the private sector has also emerged as a strong proponent of the InvIT model for asset monetisation. Over the past few years, several large infrastructure developers, including those in roads, power transmission, renewables, warehousing and telecom, have

increasingly turned to InvITs to unlock capital, deleverage their balance sheets and recycle funds into new projects.

Private players, on the back of a growing track record of successful listings and stable yield performances, are expected to accelerate InvIT activity, particularly as investor appetite deepens and regulatory frameworks mature.

This sustained participation from private sponsors will be instrumental in driving the next leg of AUM growth, complementing the government's monetisation initiatives and helping the InvIT market grow in size over the next five years.

*“The InvIT market in India is expected to grow significantly, driven by regulatory support, growing investor awareness and rising demand for infrastructure development*

*– InvIT industry expert*”

*“The InvIT market in India is poised for exponential growth, driven by the government's focus on infrastructure development and increasing demand for yield-generating assets from investors*

*– InvIT industry expert*”

# Key enablers to drive the future growth of InvIT

While InvITs continue to see uptake across sectors, sustained growth will depend not only on asset supply but also on the maturity of supporting market and regulatory frameworks.

## Increased participation of domestic institutional investor

Domestic institutional investors such as insurance companies, and pension and provident funds manage vast pools of capital that are stable because of liabilities spanning decades, making these highly suitable for investing in products such as InvITs. While their allocation has increased over the years, still there is huge scope for this segment to increase allocation in this asset class.

The ownership structure of InvITs indicates participation from a diverse set of investor classes,

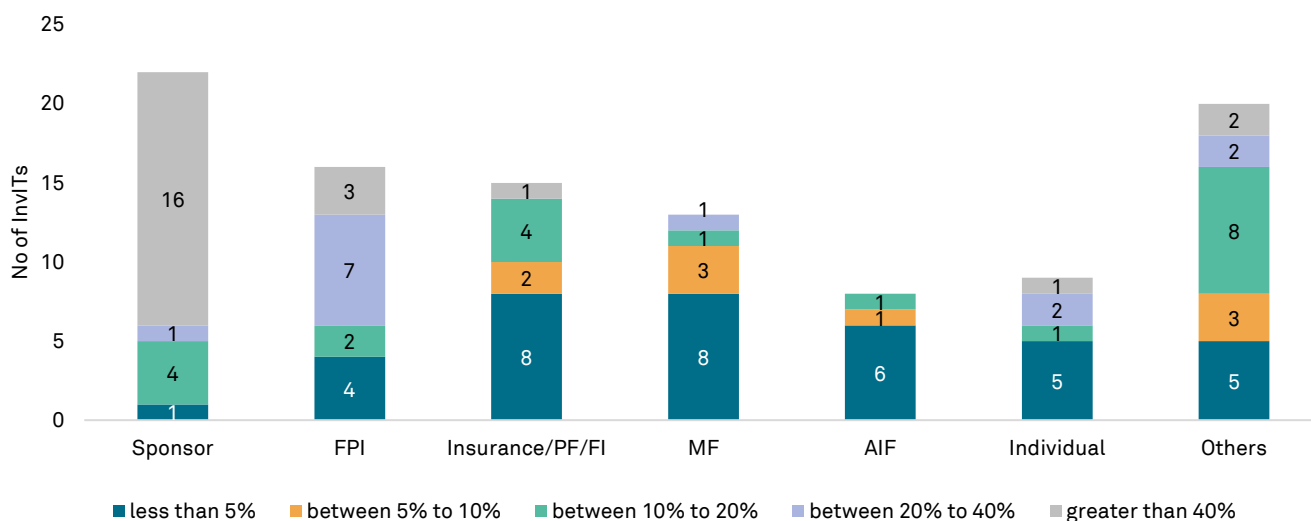
including alternative investment funds, foreign portfolio investors (FPIs), insurance companies, provident funds (PFs), pension funds, financial institutions, corporates, MFs, retail investors and sponsors.

Currently, sponsors comprise a major share, followed by FPIs. Domestic institutional investors have started taking exposure, but their share is currently limited.

An analysis of the unit-holding pattern of the 22 InvITs listed as on March 31, 2025 shows that sponsors have over 40% share of the unit capital of 22 InvITs. FPIs constitute over 40% of the unit capital in the case of three InvITs and 20-40% in seven InvITs. Insurance/PFs/foreign investors have exposure in 15 InvITs, with exposure less than 5% in eight InvITs. Similarly, MFs have exposure in 13 InvITs, with unit-holding percentage less than 5% in eight InvITs.

## Unit-holding pattern in InvITs skewed towards sponsors

Unitholding pattern across InvITs as on March 2025



Note: Data as on March 31, 2025; Others mainly comprise corporates, trusts and other institutions  
Source: Unit-holding pattern from InvIT website

According to SEBI’s InvIT regulations and circulars, sponsors must collectively hold at least 15% of the total units of an InvIT on a post-issue basis for a minimum of three years from the date of listing, with stricter requirements (such as 25% minimum holding) if the sponsor or its associate does not act as the project manager.

Regulatory amendments in recent years now require perpetual unit-holding for sponsors, while conversion from private to public InvIT status specifically mandates a minimum sponsor contribution with an 18-month lock-in period, and excess units locked in for one year from the listing date.

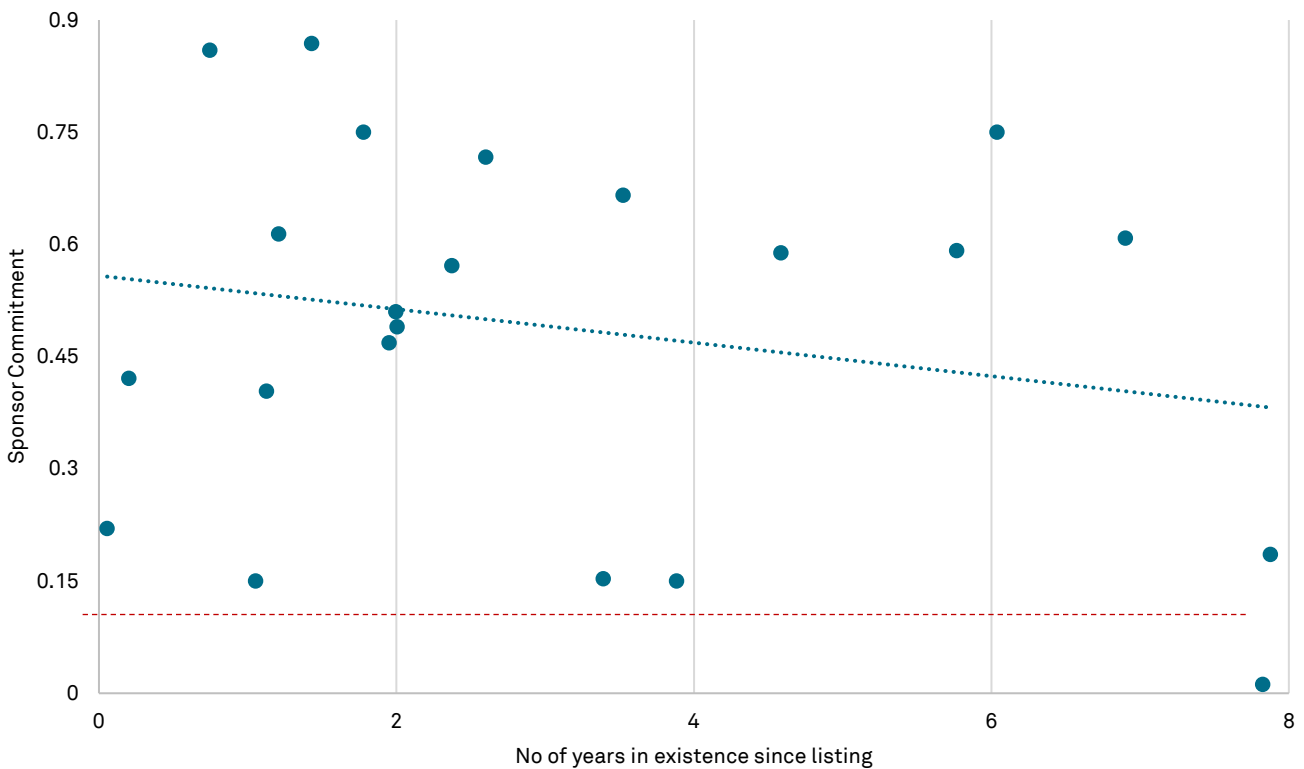
Sponsors must also meet eligibility criteria regarding

financial net worth, sound industry track record and compliance with updated sponsor disclosure and governance standards issued by SEBI.

These requirements are designed to promote transparency, protect investors and maintain consistent governance in the InvIT sector.

The proven track record requirement is enabling sponsors to rationalise stakes. Primarily developers and private equity investors are reducing / exiting their stakes and are being replaced by institutional and patient capital, such as pension funds and insurance players, mainly driven by planned exit / IRR realisation, capital recycling and improved market depth.

**Sponsor commitment as on March 2025 vs age of the trust**



Source: Annual report, exchange website, Crisil intelligence

The below table provides regulatory investment guidelines pertaining to investment in the units of InvITs applicable to domestic institutional investors

such as insurance companies, MFs, and pension and provident funds, and their potential to invest in the units of InvITs.

**Potential of domestic institutional investors to invest in units of InvITs**

Type	Investment guideline	Current status	Investment potential
<b>EPFO</b>	<p>Category V investments – asset-backed, trust-structured and miscellaneous investments:</p> <p>(a) CMBS or RMBS (b) Units of REITs (c) ABS (d) Units of InvITs</p> <p>(up to 5% of incremental cash flows)</p>	EPFO recently invested Rs 2,035 crore in NHIT InvIT*	Assuming incremental flows of approximately Rs 5 lakh crore, and if EPFO were to utilise the entire 5% of the category limit for InvITs, the total potential investment in a financial year is likely to be Rs 0.25 lakh crore
<b>National Pension System</b>	<p>Composite government schemes – Category V investments – asset-backed, trust-structured and miscellaneous investments (up to 5%)</p> <p>Cumulative investment in units and debt instruments of InvITs and REITs shall not exceed 3% of total AUM of pension fund at any point of time</p> <p>Under All Citizen Model, investments are allowed in Scheme A in which investors can allocate a maximum of 5%</p>	As on September 2025, units of InvITs constitute less than 0.15% of the AUM of the composite scheme	NPS AUM stands at Rs 15.8 lakh crore as on September 30, 2025. Utilisation of 3% limit translates into maximum potential of Rs 0.47 lakh crore as of September 2025
<b>Mutual funds</b>	MFs can invest up to 10% of its NAV in units of InvITs and not more than 5% of its NAV in units of InvIT issued by a single issuer	MFs have invested Rs 9,098 crore in units of InvITs as on September 30, 2025, which is ~0.12% of the total MF AUM	The Indian MF industry’s AUM stood at Rs 75.6 lakh crore as of September 30, 2025. The recent reclassification of REITs as equity has unlocked the entire 10% investment limit for InvITs, creating a substantial opportunity for MFs to invest in these investment trusts
<b>Life and general insurance companies</b>	<p>Maximum exposure at lower of 3% of fund size of insurer in units and debt of InvITs/ REITs or 5% of the units issued by a single InvIT/REIT</p> <p>IRDA is deliberating on doubling the exposure to REITs and InvITs</p>	Currently, 18 out of 26 life insurance companies and 21 out of 36 general insurance invest in units of InvITs	Though it is difficult to quantify the amount, there is huge potential of capital to flow through insurance companies

\*<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2115309>

“  
*Different institutional classes are gradually increasing exposure, but broader inclusion is needed for sector scalability*  
 – InvIT industry expert  
 ”

“  
*InvITs are sophisticated investment products that necessitate a high level of expertise and analytical capabilities within the investment team to accurately assess their potential and make informed investment decisions*  
 – Domestic institutional investor  
 ”

## Raising awareness and understanding of InvITs

InvITs are a sophisticated non-traditional investment product that has garnered significant attention in recent years, yet remains shrouded in complexity, hindering widespread adoption. Despite growing awareness, many investors continue to grapple with the nuances of InvITs, making it essential to intensify education initiatives to foster a deeper understanding of this asset class. The intricacies of InvITs, including their structure, benefits and risks, require careful explanation to help investors make informed decisions. As a result, there is a need for targeted educational programmes, workshops and awareness campaigns to demystify InvITs and highlight their potential as a viable investment option.

By bridging the knowledge gap, investors can better appreciate the benefits of InvITs, such as diversification, regular income and access to infrastructure investments, ultimately driving increased participation and growth in this asset class

## Enhancing market liquidity will be a critical component of InvIT growth

InvITs offer more liquidity than direct infrastructure investments through listing on recognised stock exchanges. Units can be bought and sold like equity shares through demat accounts, which gives investors the flexibility to exit that is typically unavailable in direct infrastructure investments.

This tradability enhances the investment proposition by allowing investors to exit positions when needed. To further enhance the liquidity of InvITs, the SEBI has reduced the minimum subscription in publicly listed InvITs from Rs 100,000 to Rs 10,000-15,000. InvITs can also be pledged as collateral for loans, a feature that enhances investors' accessibility to credit.

“

*We prefer investing only in publicly listed InvITs as they offer better liquidity*

*– MF fund manager*

”

“

*Privately listed InvITs have seen momentum toward public listing for improved fundraising and wider investor participation. Public listing decisions depend on the scale and nature of underlying assets as well as anchor investor preferences*

*– InvIT industry expert*

”

Of the 22 InvITs, only 5 are publicly listed. The InvIT market is characterised by limited liquidity, with most trading concentrated among a few large public InvITs. This leads to a thin price discovery and broad bid-ask spreads, making it challenging for investors to buy or sell units at a fair price. To address this, it is essential to increase market participation and provide more exit options for investors.

As more privately listed InvITs convert into publicly listed InvITs, liquidity will improve. Also as InvITs mature, increased trading volumes and diversified investor participation are likely to enhance liquidity, enabling easier entry and exit and positioning InvITs as a more mainstream asset class within India's capital markets. As and when InvITs get equity status, the probability of them being added in index also arises, which will also contribute to greater liquidity for the particular InvIT.

As liquidity and secondary market depth improves, the impact cost is also likely to come down. Impact cost is a measure of market liquidity. High impact cost means the market is illiquid, while low impact cost means it is liquid. The average impact cost of the five publicly listed InvITs during April 2025 to October 2025 ranges from 0.05 to 0.22, whereas in case of Nifty 50 stocks, the average impact cost during the same period ranges from 0.01 to 0.04.

## Active research can boost InvIT participation and liquidity

Active research coverage by brokerage houses is fundamental to expanding investor participation in Indian InvITs as comprehensive analyst reports and sustained market commentary increase transparency, enhance awareness of asset quality

and sponsor reliability, and provide comparative benchmarks for yield and risk profiles. This improved visibility reduces barriers for both retail and institutional investors, helping them make informed decisions in a sector otherwise perceived as complex or opaque. Greater research coverage also catalyses liquidity and more efficient price discovery, as well-informed participation broadens the investor base and fosters market depth. By building confidence through ongoing evaluations and sector analysis, brokerage research accelerates the mainstreaming of InvITs as a preferred alternative investment class, attracting a diversified pool of long-term capital essential for India's infrastructure growth.

## Regulatory reforms - A journey of continuous improvement and growth

Over the past decade, the regulatory landscape for InvITs has undergone a significant transformation, driven by market growth, practical learnings, and the need for enhanced governance and investor protection. The SEBI has played a pivotal role in shaping the regulatory framework, introducing comprehensive corporate governance standards tailored specifically for InvITs. These standards have substantially strengthened transparency and accountability mechanisms, ensuring that InvITs operate with the highest level of integrity.

The SEBI has implemented comprehensive corporate governance standards, specifically tailored for InvITs, significantly strengthening transparency and accountability mechanisms. They include mandatory induction of at least 50% of independent directors on the Board, minimum quarterly Board meetings, detailed information disclosure to the Board, and establishment of specialised committees for audits, risk management, nomination and remuneration.

Additionally, InvITs are required to:

- Disclose financial statements, including balance sheets, profit and loss accounts, and cash flow statements, to provide transparency in their financial performance
- Undergo regular audits by independent auditors, ensuring the accuracy and reliability of financial statements
- Disclose related-party transactions, promoting transparency in dealings with related parties

To bridge the standardisation gap in financial reporting and valuation, SEBI has introduced measures to ensure consistency and transparency. InvITs are required to conduct regular half-yearly asset valuation, with quarterly valuation compulsory if borrowings exceed 49% of the asset value. Only independent registered valuers are permitted to conduct asset valuation, ensuring objectivity and accuracy. Furthermore, InvITs must publish annual reports and quarterly financial statements, providing regular disclosures on asset performance, cash flows and key performance indicators (KPIs) such as revenue, profitability and cash flows.

However, there is further scope to improve standardisation in financial reporting, with varying approaches to depreciation, amortisation and revenue recognition. This lack of standardisation hinders comparability and analysis of the InvIT's performance. To address this, establishing uniform accounting standards and reporting requirements is essential. Greater uniformity in valuation methodologies, disclosure formats and performance reporting across sectors will enhance comparability and trust.

The central and state monetisation programmes critically dictate deal flow volume for InvITs, and any bid cancellation, delay or restrictive reserve pricing – as witnessed in roads – have sector-wide spillover effects. New asset additions are heavily contingent upon government actions and decisions, particularly with regard to the monetisation model to be adopted. Timely regulatory approvals, transparent asset transfer processes and clear project viability standards are required for InvITs across all verticals to maintain investor trust.

Government policy and regulations play a crucial role in shaping the growth trajectory of InvITs. Regulatory clarity, tax structuring, eligibility of investor classes, asset inclusion criteria and policy consistency across cycles are essential factors that influence the development of InvITs. The expansion into emerging asset categories will depend on the government's ability to maintain a transparent, sector-agnostic framework and respond promptly to market evolution and sponsor needs. Ultimately, InvITs must demonstrate a track record of stable cash flows, robust governance and transparency in operations to build investor confidence and attract long-term capital.



### **Unlocking InvIT growth through effective asset management and operational efficiency**

Operational efficiency and asset management are crucial for InvITs to maintain investor confidence and drive financial performance. Strong governance, proactive maintenance and efficient cash flow management are essential. InvITs that prioritise

these areas will differentiate themselves, attract investors and maintain market share. Effective asset management and operational efficiency will enable InvITs to optimise asset value, minimise risks and pursue growth opportunities, ultimately leading to long-term success and competitiveness in the market. This will be a key factor in future differentiation among InvITs.

# Notes

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## About Crisil Intelligence (formerly Market Intelligence & Analytics)

Crisil Intelligence is a leading provider of research, consulting, risk solutions and advanced data analytics, serving clients across government, private and public enterprises. We leverage our expertise in data-driven insights and strong benchmarking capabilities to help clients navigate complex external ecosystems, identify opportunities and mitigate risks. By combining cutting-edge analytics, machine learning and AI capabilities with deep industry knowledge, we empower our clients to make informed decisions, drive business growth and build resilient capacities.

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## About Crisil

Crisil is a global, insights-driven analytics company. Our extraordinary domain expertise and analytical rigour help clients make mission-critical decisions with confidence.

Large and highly respected firms partner with us for the most reliable opinions on risk in India, and for uncovering powerful insights and turning risks into opportunities globally. We are integral to multiplying their opportunities and success.

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