The Role of InvITs in Deepening India's Capital Markets

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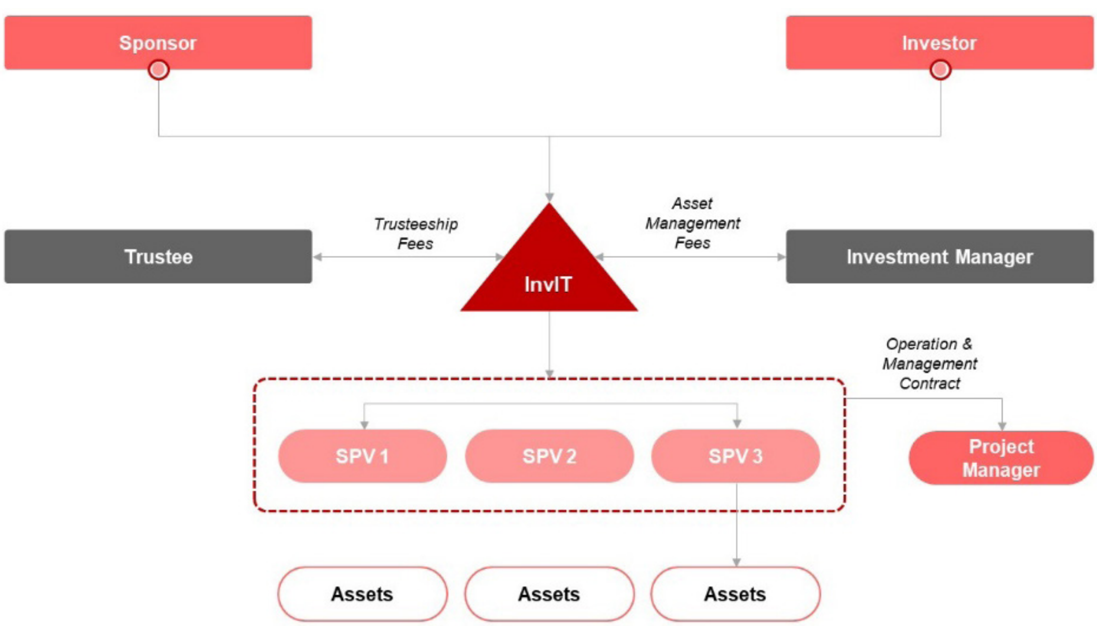
Introduction – The Role of InvITs in Deepening India's Capital Markets

India's infrastructure ambitions are among the most aggressive globally, driven by the need to sustain an economic growth trajectory aiming for a $5 trillion economy by 2027-28[(1)]. Robust infrastructure development – encompassing roads, power, utilities, and digital infrastructure – is a prerequisite to achieve this goal. Historically, infrastructure financing relied primarily on budgetary allocations by the central governments, loans from international financial institutions, bank loans, and project financing. However, Infrastructure Investment Trusts ("InvITs") have emerged as a transformative tool for raising capital to fund India's infrastructure boom.

InvITs are investment vehicles that pools capital from investors to own, operate and manage income generating assets like road, telecom towers, etc. Further, InvITs bridge gap between institutional investors seeking stable, annuity-like returns and infrastructure developers such as National Highway Authority of India, IRB Infrastructure Trust, IndiGrid, etc. needing to monetize operational assets to deleverage and fund new projects. By enabling fractional ownership in revenue-generating infrastructure, InvITs democratize access to infrastructure investment, deepen capital markets, and create a virtuous cycle of capital recycling.

Understanding InvITs as a Product: Structure, Features, and Market Snapshot

At their core, InvITs function similar to mutual funds but are specially tailored for infrastructure assets. They pool capital from investors – institutional (DIIs and FIIs) as well as retail – and invest in cash-generating projects such as roads, power transmission lines, renewable energy plants, and telecom towers etc. The structure comprises of a Sponsor (quasi-promoter), a Trustee (ensuring regulatory compliance), and an Investment Manager (handling investor relations). Special Purpose Vehicles (SPVs) are established to **individually own, operate, and manage underlying projects or assets. InvIT** then appoints a **project manager** to oversee the execution and management of these projects.



InvITs are primarily regulated by SEBI's Infrastructure Investment Trusts Regulations, 2014. These regulations outline the requirements for registration, investment conditions, and operational aspects of InvITs in India. InvITs are mandated to distribute at least 90% of their net distributable cash flows to investors, making them attractive for those seeking predictable income streams.

InvITs landscape in India:

- As of June 2025, India has 26 registered InvITs, including 22 listed ones—5 of which are publicly traded on stock exchanges, while the remaining are privately listed.

- The combined AUM for InvITs in India is projected to reach INR 21 trillion by FY30, compared to c. INR 6.3 trillion in FY25[2]
- Sectors such as Telecom (48% of total AUM), Roads (40%), and Transmission & Renewable Energy (8%) dominate the space[2]

Sector	InvIT	FY25 AUM (INR bn)	% of Total AUM
Telecom & Digital	Digital Fibre InvIT	2,200	48%
	Altius Telecom	877	
Roads	IRB Infra Trust	617	40%
	NHIT	477	
	Cube Highways	323	
	Highways Infra	259	
	Interise Trust	187	
	Shrem InvIT	138	
	Oriental InfraTrust	126	
	Maple Infra Trust	97	
	Roadstar Infra	85	
	IRB InvIT	78	
	Indus Infra	70	
	NXT-Infra	59	
	Capital Infra Trust	49	
Transmission & Renewable Energy	IndiGrid	296	8%
	PG InvIT	90	
	SEIT	69	
	Anzen InvIT	39	
Gas Pipeline	Energy Infra Trust	124	2%
Warehousing	NDR InvIT[3]	65	2%
	Intelligent Supply Chain	56	
Total		**6,382**	**100%**

Within the larger InvITs space, Road InvITs lead the way in terms of deal activity

Transportation assets, particularly toll roads, remain the cornerstone of India's InvIT ecosystem due to their stable cash flows, long concession periods (often 15–30 years), and well-understood risk profiles. These characteristics make roads ideal for monetization through InvITs. The sector has attracted National Highways Authority of India (NHAI) alongside private developers like IRB Infrastructure, GMR, and Cube Highways to transfer operational assets into InvITs for efficient capital recycling and to unlock value.

IRB InvIT, India's first listed InvIT, listed on the stock exchanges in 2017, set the precedent by pooling operational toll roads and demonstrating the model's viability. NHIT launched under the National Monetisation Pipeline (NMP), has become a flagship example, monetizing high-quality national highway assets. Over 6,100 kilometres of National Highways have been monetized by NHIT via TOT (Toll-Operate-Transfer), InvITs & securitisation, contributing to INR 1.4 lakh cr in asset monetization under the National Monetisation Pipeline. [4]

NHIT, in February 2024, also successfully concluded fund-raising of c. INR 16,000 cr for National Highway stretches of aggregate length of 889 kilometres. [5] This has enabled NHAI to surpass its construction target, closing the year with 5,614 kilometres of new highway projects in FY25, against the target of 5,150 kilometres. [6]

The sector's success underscores InvITs' scalability and their growing importance as a tool for structured asset monetization.

Emerging Themes in InvITs: Warehousing and Data Centres

The InvIT ecosystem is diversifying into new-age infrastructure:

- Warehousing has emerged as a high-growth segment, driven by a 15% CAGR in e-commerce demand between FY24 and FY30. [7] Global players are exploring InvITs to monetize warehouse assets, leveraging predictable rental income from long-term leases

- Data centres, critical to India's digital economy, are gaining traction with a projected 21% CAGR in data centre capacity between FY24 and FY30, fuelled by cloud computing; 5G adoption, and so on. [8] Their capex-heavy nature is offset by long-term contracted revenues, making them suitable for InvIT structures

Social infrastructure—such as hospitals, schools, and urban civic assets—could emerge as a new frontier for InvITs, indicating the potential for the framework to expand beyond traditional core infrastructure. Traditional infrastructure assets will remain central to the InvIT landscape given their stable cash flows and proven models. However, emerging themes like social and digital infrastructure reflect the platform's growing maturity. These newer sectors, though at a nascent stage, point to a broader institutionalisation of infrastructure monetisation in India.

Recent Market Activity – Key Transactions in FY25

The InvIT market has seen robust activity in FY25, as detailed below [2]:

InvIT	Date	Fund Raised (INR cr)	Purpose
Altius Telecom	Sep-24	6,666	Acquisition of ATC India
Highway Infrastructure Trust	Jan-25	5,501	TOT-16# & PNC portfolio acquisition
National Highways Infra Trust	Mar-25	5,053	Fund SPV's concession fee payment
IndiGrid	Aug & Dec24	2,784	Debt repayment, fund asset acquisition & Offer for Sale by Sponsor
Cube Highways	Sep-24	1,872	Secondary Stake Sale by Sponsor
NXT Infra Trust	Jul-24	1,500	Initial Public Offer to fund SPV's debt repayment
Interise Trust	Nov-24	1,450	Secondary Stake Sale by Investor
Highway Infrastructure Trust	Jun-24	500	Bangalore elevated toll way acquisition
Anzen India Energy Yield Plus Trust	Mar-25	401	Acquisition of Solar Asset from ReNew
Shrem InvIT	Aug-24	400	APCO portfolio acquisition

#: TOT (Toll, Operate, Transfer) Bundle 16 project

What's Driving the Momentum?

- India is committed to investing heavily in infrastructure to achieve its $5 trillion economy vision by 2027-28[1], positioning InvITs as a critical channel for raising capital
- Phase II of the National Monetisation Pipeline targets c. INR 2 lakh crore in FY26, aiming to unlock INR 10 lakh cr over FY26–30 for fresh infrastructure investment [9]— with InvITs playing a central role in the government's monetisation strategy
- Yields of c. 10–14% make InvITs attractive to pension funds, insurers, and HNIs in a low-interest-rate environment

Challenges and Considerations

Despite progress, challenges persist. Secondary market liquidity for InvITs remains limited- despite SEBI drastically cutting the lot size for trading of units of privately listed InvITs on stock exchanges to INR 25 lakhs from INR 1 crore.

Asset quality is critical, as InvIT performance hinges on underlying assets. For instance, traffic volatility on toll roads, impacted by annual fluctuations, and regulatory changes like tariff revisions can affect cash flows. Operational risks, such as delays in project maintenance, can materially impact InvITs. Evolving rating frameworks to capture SPV-level risks is essential.

Regulatory Evolution: SEBI's Progressive Framework

SEBI has been instrumental in shaping InvITs into a credible, investor-friendly product. Key reforms include:

- SEBI's 2024 amendment allows privately placed InvITs to issue subordinate units, giving sponsors more flexibility. It allows sponsors to delay part of their payments until performance goals are met, helping align their interests with investors and making InvITs more attractive to private investors.
- SEBI's 2025 guidelines mandating quarterly asset performance reports, have also significantly improved investor trust in this asset class
- In the recent July 2025 consultation paper, SEBI has proposed:
  - o *Reducing minimum application value for public issues within the range of INR 10,000-15,000, down from INR 1 lakh*
  - o *Reducing minimum trading lot from 100 units to 1 unit in publicly listed InvITs, significantly boosting retail participation*
  - o *Removing all sponsor lock-in requirements during the conversion of a privately listed InvIT into a public InvIT.*

This includes doing away with the 18-month lock-in for the minimum 15% sponsor contribution and the one-year lock-in on excess units. SEBI argues that these have become redundant post the August 2023 requirement mandating perpetual sponsor holding

- *The paper also proposes scrapping the one-year lock-in on units held by public (non-sponsor) investors prior to conversion, aligning with the broader push toward making public InvITs more liquid and accessible*

Future Opportunities: Scaling New Heights

InvITs are rapidly becoming a key pillar of infrastructure financing in India. Assets under management in the sector are projected to grow substantially—from approximately INR 6.3 trillion in FY25 to INR 21 trillion by FY30[10]—driven by a strong pipeline of assets, evolving regulatory frameworks, and increasing investor participation. The roads sector continues to lead the charge, with their AUM projected to surge from INR 2.5 trillion in March 2025 to INR 3.2 trillion by March 2026[11]—a robust 28% increase—driven by monetisation of highways and HAM projects.

At the same time, the asset mix is evolving. InvITs are steadily expanding into sectors such as warehousing, telecom infrastructure, fiber networks, and pipelines—diversifying beyond their traditional strongholds.

InvITs are well-positioned to unlock long-term capital, broaden participation, and offer investors a direct stake in India's infrastructure-led growth story. The journey is well underway—and InvITs are clearly leading the way.

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