

SEBI Reforms 2026: Enhancing Ease of Doing Business for REITs and InvITs

8 April 2026

Introduction

On 23 March 2026, the Securities and Exchange Board of India (SEBI) convened its 213th board meeting in Mumbai (Meeting), announcing a series of key reforms aimed at addressing longstanding challenges faced by the Indian hybrid securities market. Among the outcomes, SEBI approved amendments to the SEBI (Infrastructure Investment Trusts) Regulations, 2014 (InvITs Regulations) and the SEBI (Real Estate Investment Trusts) Regulations, 2014 (REITs Regulations), targeting practical and operational issues faced by InvITs and REITs.

These measures reflect SEBI's continued effort to reduce practical compliance constraints and provide greater operational flexibility to REITs and InvITs. From an investment perspective, they underscore SEBI's calibrated shift towards a more refined and facilitative regulatory architecture - one that promotes nimble liquidity management, judicious capital structuring, and a nuanced appreciation of asset lifecycle dynamics over the imposition of rigid, one-size-fits-all prescriptions.

Key Amendments and Flexibilities introduced by SEBI

SEBI's decisions provide four main "unlocks" designed to enhance the competitive positioning of REITs & InvITs in India:

1. InvITs - Extension for SPV Holdings

Under the extant regulatory framework, Special Purpose Vehicles (SPVs) that serve as the underlying asset-holding vehicles are required to invest at least 90% of their assets in infrastructure projects. The current framework poses a challenge in situations where a concession agreement concludes and the underlying infrastructure project ceases to exist legally, thereby resulting in the SPVs no longer qualifying as holding "eligible" or revenue-generating infrastructure assets. However, immediate divestment of such SPVs is often unfeasible due to continuing statutory and contractual obligations, including tax proceedings, litigation, and defect liability requirements, which necessitate their continued existence despite the absence of cash flows, thereby resulting in negative financial implications at the trust level.

Approved Amendment: To prevent forced exits and the associated valuation haircuts, SEBI has, in the Meeting, approved the proposal to amend the framework to permit InvITs to continue holding these SPVs after conclusion or termination of the concession agreement.

The InvITs must exit the investment in such SPV or acquire a new infrastructure project in such SPV within one year from the later of:

- completion or termination of the concession agreement; or
- conclusion of all pending claims or litigation; or
- expiration of the defect liability period.

Crucially, any time spent awaiting statutory or regulatory approvals for an exit is excluded from this one-year window. Appropriate disclosures are also required to be included in the annual report of the InvIT.

This amendment addresses a practical issue for InvITs holding SPVs after the underlying concession has concluded. The SPV holding flexibility is a direct win for Net Asset Value (NAV) stability, allowing InvITs to exit once all post-project obligations and litigations conclude thereby preventing distressed or premature divestments. At a foundational level, it introduces much-needed legal certainty by preserving the SPV status of entities even after the expiry or termination of concession agreements, thereby preventing inadvertent non-compliance with eligibility norms. This mitigates the risk of technical breaches arising solely due to the natural lifecycle of infrastructure assets and provides InvITs with additional time either to exit or to house a new infrastructure project within the SPV, aiming to align the regulatory framework with commercial realities.

2. REITs & InvITs - Diversified Temporary Investment Options

To reduce 'cash-drag' and allow for active yield optimization of idle funds, SEBI has expanded the universe of permissible temporary investments.

Feature	Previous Framework	New Framework	Strategic Benefit
Permitted Instruments	Liquid mutual funds (Class A-I only)	Liquid mutual funds (Class A-I or Class B-I)	Access to broader fund strategies.
Min. Credit Risk Value	12	10	Ability to capture higher yields by moving slightly down the risk curve.
Underlying Debt Quality	Restricted to AAA, G-Sec, SDL, Repo, TREPS, and Cash	Debt rated AA and above	Better duration and liquidity alignment.

Industry Impact - Enhanced IRR via Yield Optimization: The proposed relaxation marks a calibrated broadening of the permissible investment universe for InvITs and REITs in relation to the temporary deployment of surplus funds. By lowering the minimum credit risk value threshold and expanding eligibility beyond the most conservative Class A-I liquid mutual funds to include select Class B-I schemes (comprising debt securities rated AA and above), SEBI is effectively introducing measured flexibility into treasury management practices. This would also allow fund managers to earn competitive returns on idle liquidity, boosting overall internal rate of return (IRR).

3. Greenfield Access for Privately Listed InvITs

In a move that creates much needed parity between public and private platforms, privately listed InvITs will be permitted to invest up to 10% of their asset value in greenfield (under-construction) infrastructure projects. SEBI has also removed the previous prohibition on investing in Public-Private Partnership (PPP) greenfield projects. This may facilitate greater participation by private InvITs in under-construction infrastructure assets under the National Infrastructure Pipeline (NIP), including at the construction stage, where infrastructure projects could carry higher risk but also offer potential for higher returns.

Industry Impact - Growth Avenue for Private InvITs: At a foundational level, the amendment addresses a long-standing inconsistency in the InvIT regime. Publicly listed InvITs have historically been permitted limited exposure (up to 10%) to under-construction assets, whereas privately listed InvITs, despite catering exclusively to sophisticated institutional investors, were effectively constrained from such investments. The amendment bridges a key structural gap and paves the way for deeper private-sector engagement in early-stage infrastructure development, and reflects a shift towards form-neutral regulation, where investor sophistication, rather than listing status alone, informs permissible risk exposure.

4. Expanded Borrowing Norms for High-Leverage InvITs

For InvITs with leverage exceeding 49% and up to 70% of the value of their assets, SEBI has moved beyond the restriction of borrowing only for “acquisition or development”, allowing InvITs to now tap fresh debt for:

- capital expenditure (CapEx) to boost existing assets;
- major maintenance expenses, more specifically for road projects; and
- refinancing of existing debt, provided it is restricted to the principal amount originally deployed for permitted purposes. This specific condition simplifies interest rate efficiency while preventing the continuous rollover or 'evergreening' of interest liabilities.

Industry Impact - Capital Structure Sustainability: This marks a transition towards recognising infrastructure as a lifecycle asset class, where value preservation (through maintenance), optimisation (through capital expenditure), and liability management (through refinancing) are as critical as acquisition. The earlier restriction created a regulatory misalignment with industry practice. A particularly significant aspect is the permission to refinance existing debt, subject to the condition that only the principal portion is refinanced and there is no increase in aggregate leverage, which will allow InvITs to optimize cost of borrowing, while preventing 'evergreening'. This introduces a substance-over-form discipline, ensuring refinancing remains a balance sheet efficiency tool, not a leverage expansion mechanism.

Conclusion

These measures indicate a measured shift towards addressing operational constraints in the REIT and InvIT framework, while retaining the underlying risk controls.

The SEBI Meeting signals a maturing regulatory stance, attuned to the operational realities of REITs and InvITs. These reforms not only reduce compliance friction but also equip market participants with better financial and structural tools, reinforcing India's ambition to build globally competitive, institutionally robust investment platforms. As these changes will require formal amendments to the InvIT Regulations and REIT Regulations, respectively, participants should track the final notified text and any consequential circulars for implementation details.

- Vivek Mimani (Partner); Aayush Mohata (Partner); Khusboo Agarwal (Counsel) and Mansi Agarwal (Senior Associate)



About Khaitan & Co

Khaitan & Co is a top tier and full-service law firm with over 1300+ legal professionals, including 340+ leaders and presence in India and Singapore. With more than a century of experience in practicing law, we offer end-to-end legal solutions in diverse practice areas to our clients across the world. We have a team of highly motivated and dynamic professionals delivering outstanding client service and expert legal advice across a wide gamut of sectors and industries.

To know more, visit www.khaitanco.com



This document has been created for informational purposes only. Neither Khaitan & Co nor any of its partners, associates or allied professionals shall be liable for any interpretation or accuracy of the information contained herein, including any errors or incompleteness. This document is intended for non-commercial use and for the general consumption of the reader, and should not be considered as legal advice or legal opinion of any form and may not be relied upon by any person for such purpose. It may not be quoted or referred to in any public document, or shown to, or filed with any government authority, agency or other official body.

www.khaitanco.com | © Khaitan & Co 2026 | All Rights Reserved.

Ahmedabad · Bengaluru · Chennai · Delhi-NCR · Kolkata · Mumbai · Pune · Singapore