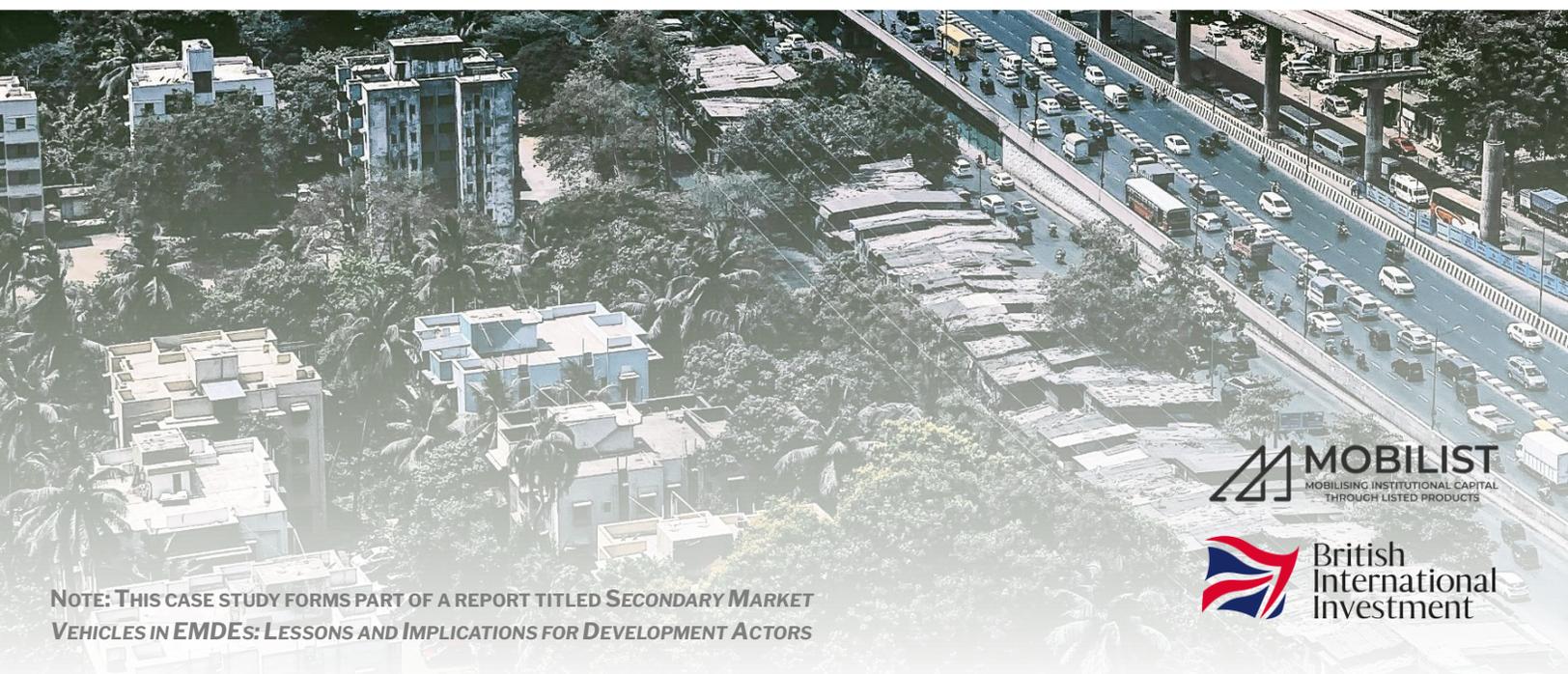


# CASE STUDY: INFRASTRUCTURE INVESTMENT TRUSTS (INVTs)

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JANUARY 2026



NOTE: THIS CASE STUDY FORMS PART OF A REPORT TITLED *SECONDARY MARKET VEHICLES IN EMDEs: LESSONS AND IMPLICATIONS FOR DEVELOPMENT ACTORS*



# 1 Overview

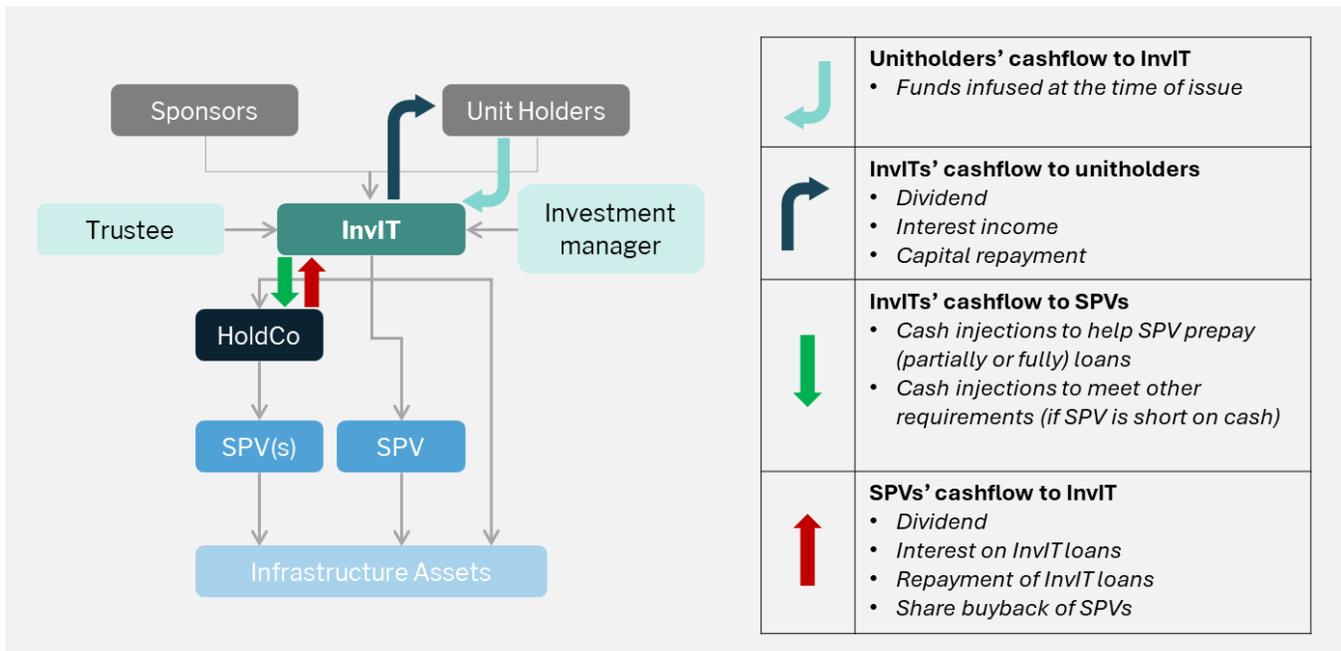
Infrastructure investment trusts (InvITs) are a mechanism for infrastructure developers to monetise their projects through pooling multiple assets in a single entity. The term “InvITs” was coined in India; in other regions, similar vehicles exist but they are generally referred to as “business trusts”. In late 2024, South Africa announced plans to introduce InvITs and set up a blended-finance vehicle to attract investment for the development of infrastructure projects (Cele, 2024).

In India, InvITs are structured as trusts and are established by a sponsor, typically an infrastructure developer. Sponsors are required to retain a minimum 5% unitholding on a post-issue basis. The trust’s activities are overseen by an investment manager, responsible for managing its assets, executing acquisitions, and ensuring operational performance under the Securities and Exchange Board of India (SEBI) framework. The trusts may be

publicly listed, allowing units to be traded on stock exchanges and providing more immediate liquidity to investors, or privately listed, which generally attracts larger institutional investors in India due to higher minimum subscriptions and scope to negotiate board representation and governance policies.

While comparable vehicles in other markets (e.g. infrastructure investment trusts in the UK and YieldCos in the U.S.) also target income-generating infrastructure assets, they differ in structural design, governing bodies, and sector scope. UK infrastructure investment trusts are closed-end companies under the UK investment-trust regime with a broader sector scope and manager set policies; U.S. YieldCos are public C-corporations largely focused on renewables, typically built around sponsor drop-down pipelines with dividends linked to cash available for distribution.

**Figure 1: Typical Structure of an InvIT**



**Table 1. Types of InvITs**

	<b>Public listed InvIT</b>	<b>Private listed InvIT</b>	<b>Private unlisted InvIT (discontinued)</b>
<b>Description</b>	Initial units offered through IPO to the public	Issuance is completed through private placement and units are available only to institutional investors	Units were available only to institutional investors
<b>No. of investors required</b>	Minimum 20	Minimum 5; maximum 1,000	Minimum 5; maximum 20
<b>Minimum investment</b>	INR 10-15,000	INR 10 million or INR 250 million based on type of assets owned by the InvIT	INR 10 million

## 2 Market level assessment

Introduced by SEBI in 2014, InvITs address two critical challenges: (i) developers required additional capital for the origination and development of new projects, and (ii) investors sought stable, yield-oriented assets. Prior to this, infrastructure financing depended heavily on lending from banks, specialised infrastructure finance companies, and public market instruments, but lacked long-term patient capital (Bhatt & Joshi Associates, 2025).

India's infrastructure sector has historically been government-led: under the National Infrastructure Pipeline, c.80% of planned CAPEX is expected from central and state governments, with the other c.20% from private players (Government of India, n.d.). Project execution is often constrained by land acquisition, regulatory clearances, and state approvals, meaning additional developer capital alone does not necessarily accelerate delivery.<sup>1</sup>

The first InvIT, IRB InvIT Fund, formed in 2016 and listed in May 2017, raised c.USD 782 million in an oversubscribed IPO backed by toll road assets (The New Indian Express, 2017). A month later, India Grid Trust (IndiGrid) became the first listed power sector InvIT, raising c.USD 250 million (Power Line Magazine, 2017). Despite strong IPO demand, both soon traded at a discount due to valuation mismatches between sponsors and potential investors, misperceptions of InvITs as conventional equity instruments, and limited domestic yield-focused investors (Mulye, 2018). By 2018-2019, rising developer leverage increased willingness to accept lower valuations for assets. During the same period, transaction advisors began targeting long-term investors seeking USD returns in the 8-11% range, such as bulge-bracket private equity funds, pension funds, and sovereign wealth funds. To encourage institutional investment, SEBI introduced a relaxed unlisted InvIT regime with the same tax benefits as listed InvITs, while also

permitting the conversion of privately placed listed InvITs to unlisted InvITs (Mishra, et al., 2024).

Between 2018 and 2021, regulators aligned InvITs with international best practices for trust-like vehicles. SEBI raised leverage limits from 49%-70% of asset value for AAA-rated InvITs, allowed domestic bank and offshore Foreign Portfolio Investors (FPI) funding, and progressively reduced minimum public investment thresholds, from INR 1 million-100,000 (c.USD 11,500-1,100) in 2019 and again in 2021 to INR 10,000-15,000 (c.USD 115-170), encouraging retail participation. Private listed InvITs maintained INR 250 million (c.USD 3 million) minimum subscription if the InvIT invests 80% or more in completed revenue-generating assets, otherwise INR 10 million (c.USD 115,000) (Bassi, et al., 2019).

Today, sponsors hold almost 47% of InvIT units, institutions c.22%, government 1.4%, and retail c.9%,-driven by SEBI's reforms. While high sponsor ownership secures strategic control, limited free float impacts liquidity as fewer units are actively traded, which can magnify price swings when large trades occur. High concentration also increases potential governance risk, which is mitigated by single-class units (equal voting rights), unitholder approval for material related-party transactions, and reviews by the investment manager's audit committee.

Beyond equity, InvITs raise debt largely to refinance existing loans, while also financing acquisitions, maintenance expenditures, and reserve buffers. They access debt through banks, listed debentures or bonds, and less commonly through structured debt products. Insurers and pensions funds are natural lenders given the long-term, stable cash flows of infrastructure assets. However, they face strict exposure caps of 3% and 5% respectively when investing in InvIT debt

<sup>1</sup> The Ministry of Road Transport and Highways (MoRTH) reported that 20 to 30% of road and highways projects face delays due to poor coordination between central and state agencies

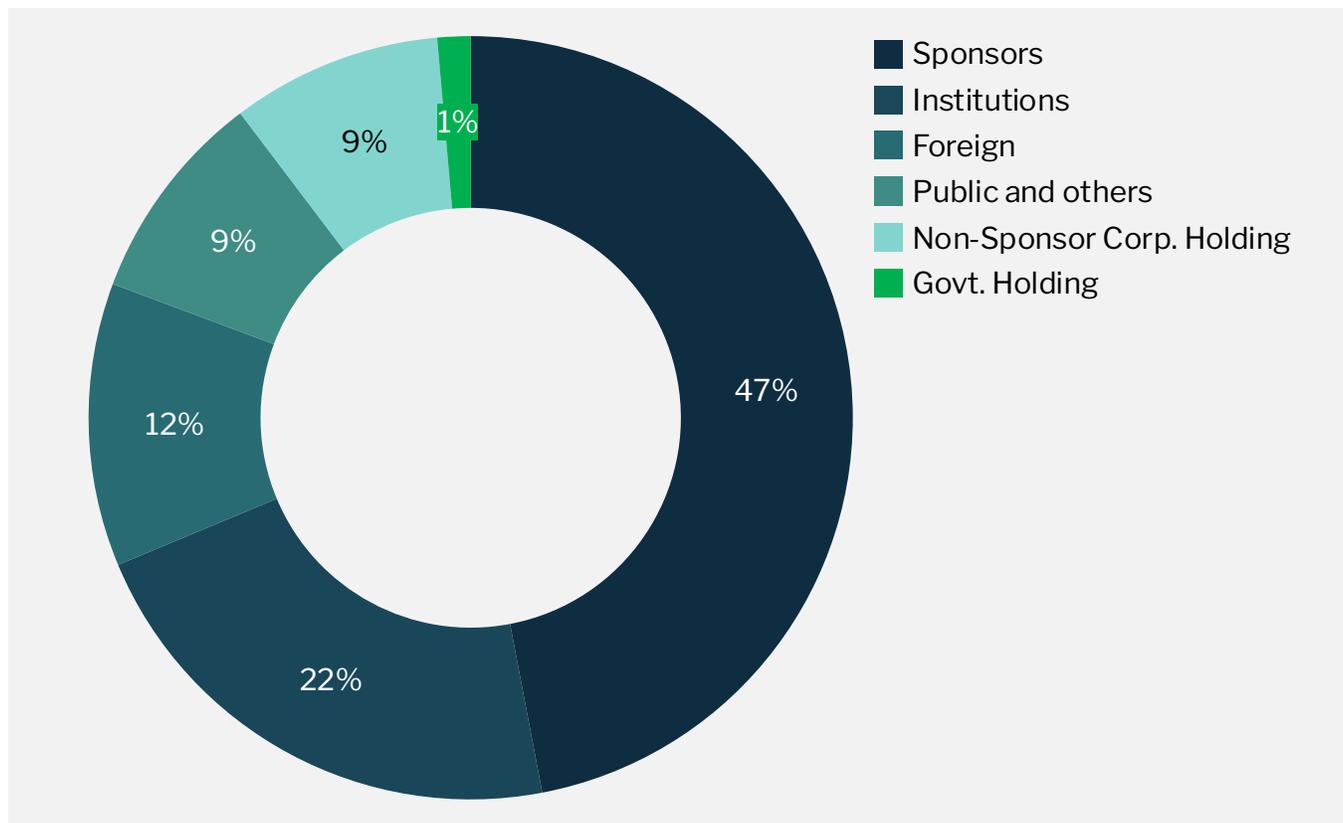
instruments rated AA or higher. With India’s life insurance sector managing c.USD 713 billion (2024), even a modest relaxation could unlock billions in additional flows (Knight Frank, 2025).

A new growth phase began in 2021. Sector diversification expanded from roads and power transmission to telecom infrastructure, pipelines, renewable energy, and data centres. That year, Virescent Renewable Energy Trust (sponsored by KKR) became India’s first renewables-focused InvIT (acquired by IndiGrid in 2023). In mid-2022, SEBI discontinued the unlisted InvIT framework, noting that it constrained the growth of publicly listed InvITs which were also likely to encourage greater retail participation due to lower minimum investment thresholds and stricter governance. Three unlisted InvITs subsequently listed their units in 2023 (SEBI, 2022).

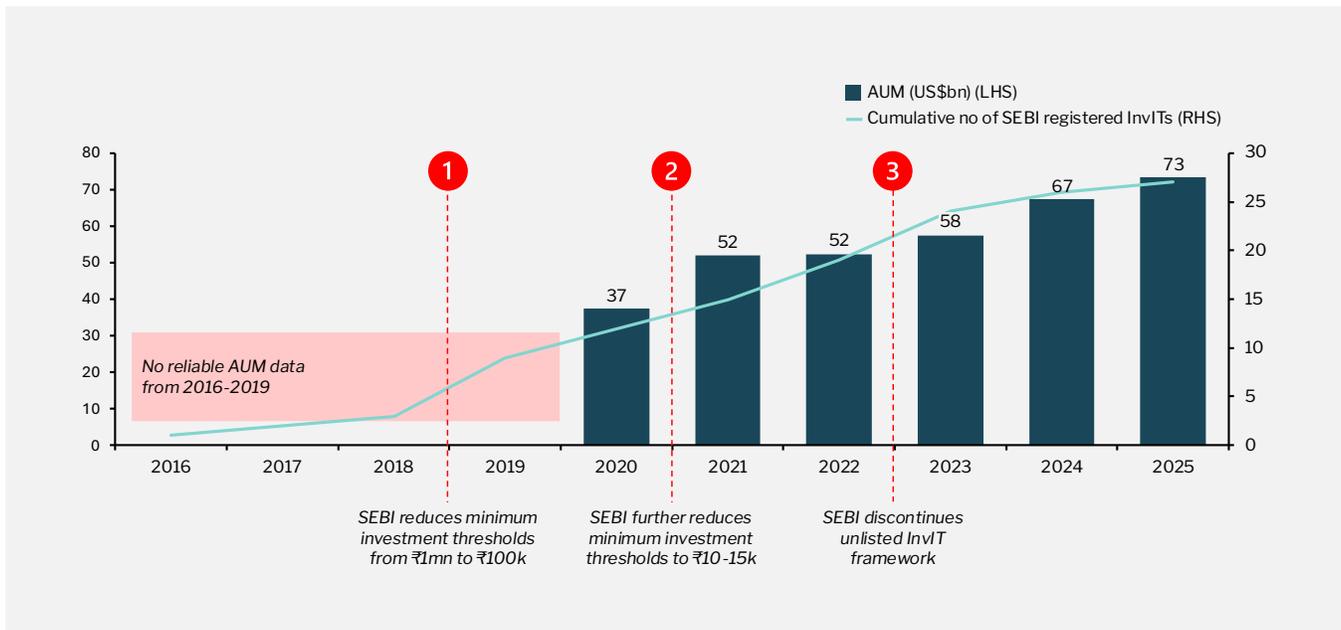
By December 2023, InvIT AUM had surpassed USD 50 billion, reinforced by continuous regulatory intervention. SEBI reinforced stability and governance through measures such as independent board requirements, clearly defined sponsor obligations, and restrictions on pledging units as collateral, while offering grandfathering provisions to ease compliance for existing vehicles (Mishra, et al., 2024).

As of 2025, India has 27 registered InvITs (17 listed) spanning nine sectors with an AUM of USD 70+ billion, concentrated in telecom (53% of total AUM) and roads (35%) (Vinod Kothari Consultants, 2025). In H12025, InvITs distributed INR 242 billion (c.USD 2.8 billion) to investors, proving their role as a stable channel for patient institutional capital that reinforces infrastructure expansion (Jayakumar, 2025)

**Figure 2: India’s InvIT Shareholding Profile (Knight Frank, 2025)**



**Figure 3: Growth of InvITs in India and Key Regulatory Milestones<sup>2</sup> (Knight Frank, 2025), (Bassi, et al., 2019)**



Looking ahead, policy reforms that could elevate India’s InvIT sector include enabling index inclusion to attract passive flows and improve liquidity, and opening participation to the National Pension Scheme, which would unlock a substantial pool of long-term domestic capital.

<sup>2</sup> Due to the size of the InvITs market in India and different counting methodologies, AUM estimates for 2025 may vary

### 3 Vehicle level analysis – IndiGrid

India's drive to modernise its power sector and expand infrastructure created a conducive environment for power InvITs. IndiGrid, launched in 2016 and listed in 2017, pioneered the listed power-sector InvIT, leveraging regulated transmission tariffs and SEBI oversight to deliver predictable yields. Backed by Sterlite Power, KKR, and global institutions / DFIs (including IFC), it used listed non-convertible debentures (NCDs), blended-capital structures, and disciplined acquisitions to scale and diversify – recycling sponsor capital and aligning with national sustainable infrastructure ambitions. Currently, c.30% of IndiGrid investors are retail, drawn to bond-like, frequent payouts with lower risk than equity (IndiGrid, n.d.).

IndiGrid initially acquired four transmission assets (three from Sterlite Power), worth INR 17 billion (c.USD 190 million). In 2019 KKR and GIC anchored IndiGrid with a INR 25.1 billion (c.USD 290 million) equity investment, marking the beginning of IndiGrid's diversification beyond Sterlite as its sole sponsor. In 2020, five assets worth INR 35 billion (c.USD 400 million) were added and in the same year, Sterlite Power sold a 14.7% stake to institutional investors and high net worth individuals, citing a shift in focus to developing power transmission assets. In 2021, IndiGrid closed India's largest transmission deal worth INR 55 billion (c.USD 630 million) and pioneered the first InvIT rights issue and public NCD. The following year, Sterlite sold its remaining 26% stake to Electron, an affiliate of KKR. Since 2023, IndiGrid has diversified beyond transmission via Virescents Renewable Energy Trust, a 300 MW ReNew Power solar project, and over 450 MW of battery energy storage system (BESS) projects, cementing its role as India's leading diversified power sector InvIT (IndiGrid, n.d.).

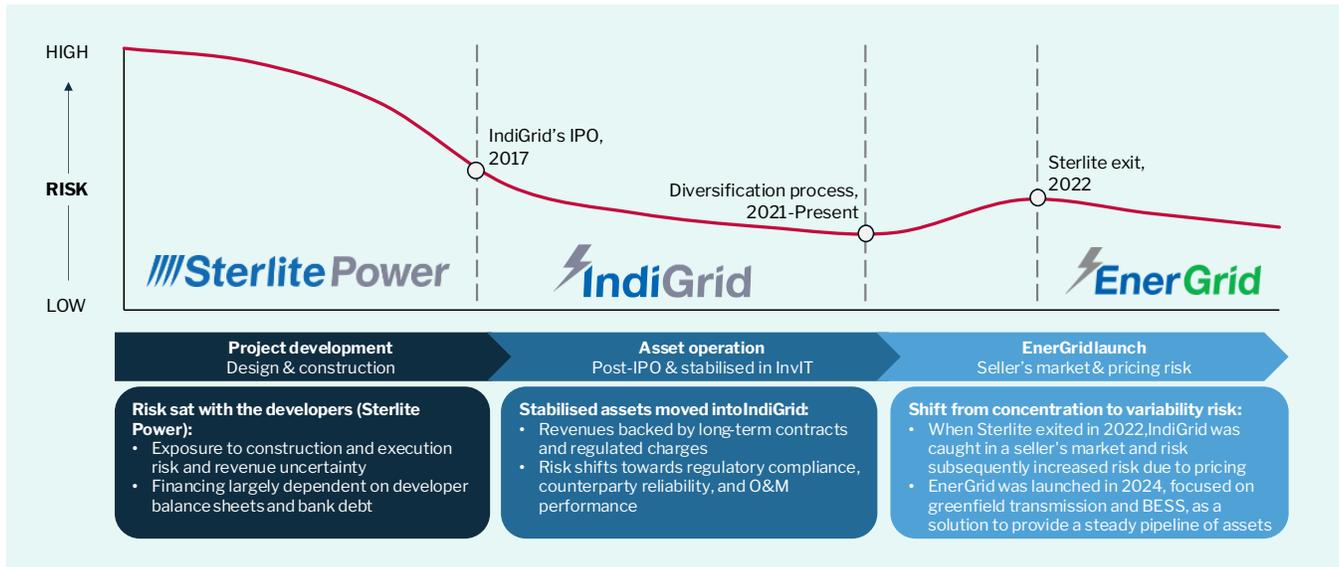
Diversification follows an adjacency framework – staying within the power value chain where IndiGrid has operating and regulatory expertise.

This has led to a focus on solar and BESS in recent years, which offer more predictable, fixed annuity-style cash flows comparable to transmission, while avoiding unrelated sectors like roads that require different skill sets.

In 2024, IndiGrid, BII, and Norfund launched EnerGrid, a USD 300 million infrastructure development platform focused on greenfield transmission and BESS opportunities in India, to address structural limitations in the transmission sector. Following Sterlite's exit, IndiGrid's ability to purchase operating transmission assets at reasonable prices was constrained by the dominance of a few large players, most notably Power Grid, which created a seller's market. EnerGrid enables IndiGrid to bypass this bottleneck by taking on greenfield risk, bidding for and developing new projects, and then transferring these assets to IndiGrid upon commissioning under a pre-agreed arrangement. This preserves IndiGrid's operating asset mandate and compliance while ensuring a predictable acquisition pipeline and channelling DFI capital into India's grid build-out. IndiGrid's early involvement from the bidding stage enables continuous monitoring of assets; ongoing oversight substitutes lengthy post-completion diligence, lowering execution risk and aligning with investor requirements.

In March 2025, IndiGrid traded slightly below NAV with NAV per unit of INR 144.11 (IndiGrid Investment Managers Ltd., 2025) compared to a share price of c.INR 142, which then rose to trade at a premium (INR 160) by late August. Beyond deal activity (e.g. EnerGrid progress), this shift is tied to changes in interest rates: InvITs are viewed as bond-like income vehicles – when policy rates and yields ease or are expected to ease, InvIT cash yields look relatively more attractive, and prices tend to trade above NAV.

Figure 4. IndiGrid's Risk Profile, Illustrative



## 4 Impact on primary market functioning and sustainable development

India's InvIT expansion is reshaping infrastructure finance and supporting sustainable development. On the financing side, InvITs enable efficient capital recycling, lowering the cost of borrowing relative to project-level special purpose vehicles (SPVs), and broadening access to institutional pools of capital (though sponsor concentration and regulatory caps on insurers and pensions constrain investment). Although IndiGrid's c.1.9% turnover

ratio is roughly in line with the Nifty Infra top three average (c.2.1%), InvIT turnover is structurally lower due to limited free float – sponsors and strategic holders keep large stakes and don't trade actively. Beyond financing, these mechanisms accelerate project delivery, generate large-scale employment, and strengthen India's infrastructure system, helping India progress towards its 2030 infrastructure and sustainability targets

### Liquidity effects

- **Capital recycling and pipeline acceleration:** InvITs provide an efficient exit route for operating assets, freeing sponsor equity for new builds. As of March 2025, InvITs had raised c.INR 3.7 trillion (c.USD 42 billion) in debt (54%) and equity (46%). The “develop-monetise-reinvest” cycle accelerates project delivery, expands the investable asset base, and sustains a steady pipeline of future InvIT acquisitions (NHAI, 2025)
- **Lower cost of capital and faster fundraising:** SEBI's favourable trust structure and tax framework provides pass-through treatment for interest and dividend distributions, minimising tax leakage and lowering the cost of capital (Yadav & Verma, 2024). Beyond equity, InvITs issue publicly traded debt securities backed by a diversified, credit-rated portfolio, enabling them to access a wider pool of institutional investors such as mutual funds, insurers, and pension funds. This broader base lowers coupon rates versus single-project SPVs while also shortening fundraising timelines through repeat capital market issuances (Touchstone Partners, 2020). For example, bank loans are typically upwards of 9% while in contrast, Cube Highways Trust raised INR 8.2 billion (c.USD 94 million) in August 2025 through NCDs, with 3.5-year NCDs priced at a coupon of 6.93% and 10-year NCDs at 7.30% (Pisal, 2025). A study found that SPV-level debt issuances by infrastructure companies in 2023 had coupons of 8.2-15.0% vs. 7.49-7.85% for InvIT-level issuances (Yadav & Verma, 2024)

## Impact on SDGs

**8** DECENT WORK AND ECONOMIC GROWTH



**Employment multiplier effects:** InvIT-enabled capital recycling accelerated National Highways Authority of India’s (NHAI) construction program, where 24,000 km of national highways built between 2019-2024 generated roughly 450 million direct man-days of employment, 570 million indirect man-days, and 5.3 billion induced man-days,<sup>3</sup> highlighting the sector’s role in large scale employment through faster project delivery (Government of India, 2024).

**9** INDUSTRY, INNOVATION AND INFRASTRUCTURE



**Infrastructure transformation at scale:** since 2020, InvITs have enabled NHAI to monetise INR 460 billion (c.USD 5.2 billion) and more than 2,300 km of highways, while also financing power transmission capacity like IndiGrid’s 9,000 circuit-km and PGInvIT’s 3,700 circuit-km (Sharma, 2025) – important to India’s 2030 goals of reducing logistics costs to 9% of GDP and reaching 500GW of non-fossil power capacity (EY, 2023).

<sup>3</sup> Direct employment: jobs created by workers hired to build and manage the highways, such as engineers, labourers, and project staff; Indirect employment: jobs created in supporting industries that supply goods and services to the projects, like cement, steel, transport, and equipment providers; Induced employment: jobs created in the wider economy as workers and suppliers spend their incomes on housing, food, retail, and services

## 5 Key enablers

### SUPPLY AND DEMAND SIDE ENABLERS



#### Asset supply:

- **Large asset pool:** India has a large stock of operational infrastructure not managed under InvITs, ensuring a steady pipeline for future InvIT adoption (e.g. only 21% of toll plazas under InvITs)
- **Diverse operating asset base:** established sectors provide a broad pool of assets that can be channelled into InvIT structures



#### Investor depth

- **Yield stability mechanisms:** inflation-indexed tolls, long-term contracts, and consistent cash flows provide predictable returns and attracted investors
- **Regulatory reforms for retail access:** SEBI's measures on liquidity, transparency, and accessibility have widened investor bases



### SYSTEM ENABLERS



#### Market infrastructure & intermediaries:

- **Formation of an industry association:** Bharat InvIT Association formed in 2024, comprising of 21 members across nine sectors, has helped e transparency, advance best practices, and strengthen industry engagement
- **Intermediary ecosystem:** trustees, rating agencies, investment bankers, and legal advisors ensure compliance, governance, and smooth capital market access for InvITs



#### Policy & regulation

- **Strong regulatory framework:** SEBI's continued regulatory refinement has helped reduce informational asymmetry and sponsor risk, and widened the investor base
- **Tax-efficient, predictable returns:** tax pass-throughs and mandatory distributions of 90% of net cash flows to unitholders reduce tax burdens and ensure steady, investor-friendly returns
- **Operating asset requirements:** mandating at least 80% of AUM in operating assets ensures steady cash flows and lowers execution risk versus greenfield



#### Macroeconomic & geopolitical stability:

- **Stable investment environment:** India's relatively political stability and secure investment climate reduce perceived risks for foreign and domestic investors

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