Our Views

From Passive Assets to Dynamic Capital: The Reinvention of India's InvITs

For decades, real assets in India were the opposite of equities: illiquid, capital-intensive, and long gestating, with little visibility on exits. They belonged on the balance sheets of large conglomerates or in the vaults of patient pension funds - not in actively traded portfolios of institutional or retail investors.

Regulations and market indices reinforced this divide. Infrastructure was the world of concrete and steel, while equity was the domain of tradable company shares.

That began to change in 2014, when SEBI introduced Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (REITs). For the first time, real assets were recognised as a distinct asset class, combining the stability of debt with the growth potential of equity. Investors gained market-based access to infrastructure and real estate, while asset owners got a liquid route to recycle capital.

Momentum accelerated with SEBI's September 2025 decision to classify REITs under the equity category for mutual funds. My Founder and CEO had highlighted this in his recent article *"REITs as Equity: Ready for Corporate Action and M&A"*. The move is more than technical - it unlocks large pools of domestic capital, compelling fund managers to rebalance portfolios. Overnight, REITs shifted from niche income plays to mainstream equity instruments, boosting liquidity, depth, and valuations.

This tailwind has now spilled over to InvITs. The past 60 days show that the secondary market for InvITs has matured, fundamentally altering how institutional investors view Indian infrastructure. Over USD 1bn of capital has flowed through primary raises and large secondary block trades.

The buyers reflect growing sophistication: corporate treasuries, mutual funds, pension funds, HNIs, family offices, and insurance companies - a depth usually seen only in large-cap equity placements. The market is no longer niche; it is mainstream, liquid, and credible. The scale and frequency of these transactions point to a sustained, growing market- evidence of depth and maturity in the investor base. For an asset class long considered illiquid, this transformation is remarkable.

Over the next 6-12 months, several privately listed InvITs are expected to transition to public listings. This shift will further boost "equity-like" liquidity, expand investor access, deepen market participation, lower the cost of capital, and attract a broader mix of retail and institutional investors.

This evolution offers several key lessons:

1. **Deepening buyer pool:** Demand is broad-based, spanning corporates, mutual funds, insurers, and long-term capital providers.

2. **Liquidity is real:** Recent fund-raising demonstrates credible exit options and clear entry points for new capital.

3. **Valuations are evolving:** Growth prospects, sponsor quality, and portfolio diversification now matter alongside yield, bringing InvITs closer to equity-like assessment.

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For corporate India and fund managers, this is transformative. The National Monetisation Pipeline’s success hinges on proving that infrastructure investments can be exited efficiently. Recent InvIT activity provides that proof. By creating a virtuous cycle of capital entry and exit, InvITs are rapidly becoming central to India’s infrastructure financing ecosystem.

Ultimately, the story of equity, REITs, and InvITs is no longer about their differences. It is about their convergence - together shaping a modern, liquid, and deep Indian capital market.

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