



May 2026

## Securities and Exchange Board of India widens the permissible end-use of fresh borrowings by highly leveraged Infrastructure Investment Trusts

Securities and Exchange Board of India (“SEBI”), on May 15, 2026, has issued a circular liberalising end-uses of certain borrowings by Infrastructure Investment Trusts (“InvITs”). Following the broad enabling amendments approved during its board meeting on March 23, 2026, and officially notified on April 17, 2026, SEBI issued 2 (two) definitive operational circulars on May 15, 2026, one of them pertain to “Permitted use of fresh borrowings for InvITs where net borrowings exceeds forty-nine percent of the value of the InvIT assets” (“Operational Circular”). The Operational Circular has come into force with immediate effect.

Historically, highly leveraged InvITs (those with net borrowings between 49% and 70% of asset value) operated under a strict regime. Under Regulation 20(3)(b)(ii) of the SEBI (Infrastructure Investment Trusts) Regulations, 2014 (“InvIT Regulations”), any fresh borrowing raised by an InvIT above the 49% threshold was strictly restricted to be utilised towards the ‘acquisition or development of infrastructure projects’.

### Salient features of the Operational Circular

The Operational Circular expands the permissible end-uses of fresh borrowings by InvITs whose net debt exceeds 49% of their asset value, to include the following:

1. **Capital Expenditure (“Capex”)**: Any expenditure intended for capacity augmentation or enhancing asset performance;
2. **Major maintenance**: Any expenditure incurred on maintenance of road projects which is not routine maintenance and is in accordance with the relevant concession agreements;
3. **Refinancing**: Refinancing of debt availed by the InvIT, special purpose vehicle (*as defined in the InvIT Regulations*) or holding company (*as defined in the InvIT Regulations*) subject to the following conditions:
  - a) the original debt proposed to be refinanced was utilised for acquisition or development of infrastructure projects; and
  - b) only the principal amount of the original debt can be refinanced, while any accrued interest, penalties, fees, charges etc cannot be refinanced utilising the proceeds of the fresh borrowings.

## Analysis

InvITs have become an important route for infrastructure developers to monetise operational assets and raise long-term capital from investors. However, infrastructure projects require substantial capital deployment on a periodic basis. Limiting these to be financed solely from internal cashflows or unitholder contribution had thus far restricted operational flexibility for InvITs. By widening the permitted end-use of borrowings, SEBI has now acknowledged the lifecycle of assets and capital management, which amidst other aspects will pave the way for fresh funding in this infrastructure sector (subject to the overall cap of 70% of the value of the InvIT's assets, which remains unaltered).

**Road sector relief:** Highways and roads require periodic large-scale maintenance spending, mandated by the National Highways Authority of India concession agreements. This could include resurfacing, structural repairs, bridge rehabilitation, or other significant infrastructure restoration work necessary to maintain road quality and comply with the concession agreements. InvITs can now fund these massive outlays by raising fresh debt rather than depleting their operational cashflows. Further, road assets form a substantial portion of India's InvIT market and therefore the Operational Circular is a welcome change for the InvITs and lenders, alike.

Security structures and inter-creditor arrangements across the various lender categories need to be appropriately documented to ensure due ring-fencing of the revenue streams, in compliance with the underlying concession agreements.

**Brownfield Capex:** InvITs managing existing assets can now borrow to fund expansion projects, for instance, widening an existing toll highway from 4 (four) lanes to 6 (six) lanes, or upgrading a power transmission grid's capacity to enhance yield performance.

**Surge in refinancing:** Since InvITs are permitted to refinance legacy debt, investment managers will actively work towards replacing high-cost vintage loans with better priced debt, basis the most recent performance parameters.

**Unitholder distributions:** Restricting highly leveraged InvITs from borrowing for critical Capex or major maintenance had so far compelled them to rely entirely on internal accruals, which in turn meant curtailing unitholder distributions. However, InvITs now can leverage their portfolios without compromising unitholder payouts.

## Conclusion

While the Operational Circular is expected to be positively received by the infrastructure lending institutions, the new framework also warrants greater compliance tracking, monitoring and due diligence by the lenders. The lenders, will *inter alia* have to ensure the following:

1. the end-use of any fresh facilities granted to the InvITs will have to be strictly monitored;
2. disbursement mechanisms will have to be structured to ensure that the disbursements map directly with verified independent engineer certificates (for Capex) or authority-mandated maintenance schedules (for major maintenance). Any diversion of funds into unauthorised operational buckets could trigger non-compliance under the SEBI guidelines; and
1. The quantum of credit facilities intended to be used for refinance purposes will have to be exactly capped at the verified, outstanding principal amount of the original debt. Consequently, term sheets must include specific representations and warranties from the InvIT, confirming that the residual costs, viz. interest, fees, charges of the original debt will be serviced entirely through internal accruals of the InvIT or separate unitholder equity infusions.

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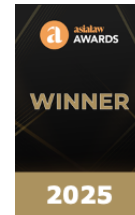
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