

Debt fundraising of Reits, Invits at record high

RBI has proposed that banks be allowed to lend directly to investment trusts

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Additional borrowing routes for specialised investment vehicles for real estate and infrastructure assets could not have come at a better time.

The ongoing financial year 2025-26 (FY26) is likely to end with the highest debt fundraising for Real Estate Investment Trusts (Reits) and Infrastructure Investment Trusts (Invits) on record. These investment vehicles pool money and own real estate assets like office properties or infrastructure assets like toll roads, and use rent and other inflows to pay a regular income to investors. They raised a cumulative ₹37,742 crore for various business purposes, including expansion, so far in FY26, shows a *Business Standard* analysis of primedatabase.com numbers. This is the highest in data going back to FY18. Debt fundraising includes public debt issues, commercial papers, and debt private placements.

In the second week of February, the Reserve Bank of India (RBI) proposed through a draft circular that banks be allowed to directly lend to Reits.

"The aggregate credit exposure of all banks to the borrowing Reit and its underlying special purpose vehicles (SPVs)/holdcos taken together shall not exceed 49 per cent of the value of the Reit's assets as on March 31 of FY25, or such lower limit as may be decided by the bank's board based on the credit rating of the Reit, or otherwise," said the draft document. Executives on these trusts have spoken of lowering their cost of borrowing. The same sentiment was expressed by Brookfield India Real Estate Trust during its earnings call in January.

"Our average cost of debt of 7.6 per cent in the third quarter of 2025-26 (Q3FY26) is expected to reduce to 7.3 per cent in Q4FY26, following 25 basis points (bps) repo rate cut and reduction in borrowing cost of Ecoworld SPV. We have a long-dated debt profile, minimal near-term amortisations, and ample headroom for future acquisitions... we successfully



Already higher than last year

	Number of issues	Amount raised (₹ cr)
FY19	3	7,055
FY20	10	6,759
FY21	13	9,425
FY22	10	9,050
FY23	11	6,500
FY24	26	20,662
FY25	40	31,725
FY26*	49	37,742

Note: *Data as of January-end. Includes public debt issues, commercial papers and debt private placements.
Source: primedatabase.com, *Business Standard* calculations

completed a ₹35 billion (₹3,500 crore) qualified institutional placement (QIP), with 3x subscription, and issued ₹20 billion (₹2,000 crore) of sustainability-linked bonds, the largest such issuance by an Indian Reit, at a competitive coupon of 7.06 per cent papq (per annum payable quarterly)," said Brookprop Management Services' chief financial officer (CFO) Amit Jain. Brookprop Management Services was the lead manager of the QIP.

"Today, the average cost of debt is around 14 per cent. And some of the new construction finance that we are raising today is sub-9 per cent. And that's the indication that in the in-principle term sheet that we have got from many of the lenders we are talking to is sub-9 per cent. So, some of these debts are historical in nature, and we will pay them down over the next few quarters... our endeavour is to bring down this cost of capital from the current 14 per cent to the 10 per cent kind of range over the next year or so. It might take a little longer than that, but it will progressively come down," said Embassy Developments' CFO Rajesh Kaimal during their earnings

call earlier in February.

The development comes even as the vehicles are expected to gain greater traction. Investment trusts have room for greater penetration among individual investors, suggested financial planner Jayant Vidwans. Unlike more popular financial products like mutual funds, many individual investors remain unaware of Reits and InvITs.

Institutional holding of investment trusts is likely to increase, suggested Nipun Mehta, founder and chief investment officer (CIF) at BlueOcean Asset Management. There has been a compression of yields, which has meant that individual investors such as high net-worth individuals can turn to alternatives like corporate bonds that offer higher returns. Money will continue to come in through institutions like mutual funds as these trusts continue to gain in popularity, according to Mehta. "Reits and InvITs... will continue to get flows," he said.

They also raised ₹15,998.43 crore in equity capital through first-time listings and QIPs. Debt accounted for 70 per cent of the overall funds raised so far in FY26.