Address by
Shri Tuhin Kanta Pandey, Chairman, SEBI
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"Capital Markets and Infrastructure: Building India's Future Together"
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Shri M. Nagaraju, Secretary, DFS, Shri Sivasubramanian Ramann, Chairperson, PFRDA, Shri Rajkiran Rai G, MD, NaBFID, distinguished industry leaders and esteemed guests, a very Good Morning to you all!

It is a privilege to be here today at this Infrastructure Conference. I would like to thank National Bank for Financing Infrastructure and Development (NaBFID) for this opportunity to address this august audience and share my thoughts on a subject that is central to India's growth story.

This Infrastructure Conference is a great platform to explore innovative solutions for financing, deliberate on challenges, share knowledge, and benefit from the diverse experiences of all stakeholders present here. I am confident that today's deliberations will pave the way for fresh ideas and actionable strategies that will strengthen the foundation of India's infrastructure sector.

Infrastructure, as we all know, is more than roads, ports, airports, dams, telecommunication or power plants - it is the backbone of economic progress. It is what connects producers to markets, people to opportunities, and India to its aspirations of becoming a $5 trillion economy and further to Viksit Bharat.

A World Bank study[1] finds that an increase in infrastructure has significant positive effect on country's GDP. India's own journey reflects this truth - our highways, airports, metros, and digital infrastructure have transformed the way we live and do business.

What is equally important to recognize is that infrastructure requires capital - and in massive quantities. Public resources alone cannot meet this demand. The government and banks cannot, and should not, carry this burden by themselves. This is where the capital market steps in - as powerful engine for mobilising long-term funds, diversifying risks, and ensuring that capital finds its most productive use.

[1] World Bank Policy Research Working Paper (2021) - "How Much Does Physical Infrastructure Contribute to Economic Growth?"

Why Capital Markets Matter

Why are capital markets so critical for infrastructure? Let me highlight a few reasons.

First, they bring long-term patient capital. Infrastructure is not a short-term bet. Capital markets allow savings from pension funds, insurance companies, sovereign wealth funds, and long-horizon investors to be channelled into such assets.

Second, they help diversify sources of finance. Relying solely on banks or government budgets exposes us to concentration risk. Markets, on the other hand, offer a palette of instruments – corporate bonds, InvITs, REITs, municipal bonds etc.- that spread risk across multiple participants.

Third, they offer a risk-sharing model. For example, InvITs allow developers to monetise operational assets while investors gain access to stable, yield-generating infrastructure.

And fourth, capital markets enforce discipline, transparency, and governance, through disclosure norms, independent audits and investor scrutiny.

Put together, these features make capital markets not just financiers but also guardians of quality and credibility in infrastructure projects.

SEBI's Role – Infrastructure Financing

To strengthen the link between infrastructure and markets, SEBI has taken several measures to diversify and deepen financing avenues.

Primary Market Issuance – Equity and Debt

Let me begin with the crucial role that our primary market is playing in meeting the capital requirements of infrastructure companies. Through diverse instruments such as IPOs, rights issues, FPOs, QIPs, preferential allotments, and private placements, companies in the infrastructure sector are able to raise long-term equity that fuels their expansion.

Some of India's leading infrastructure companies, each with a market capitalization of over Rs.50,000 crore, together account for nearly one-fifth of the total market cap of listed companies. Over the last decade, infrastructure sectoral indices have delivered annualised returns in the range of 12–14%, underscoring the sector's ability to generate steady value for investors. The primary market thus serves as vital enabler of growth and expansion of infrastructure ecosystem.

<u>REITs and InvITs</u>

Alongside the primary market issuances, the Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs), have emerged as one of the most promising avenues for channelising long-term capital into infrastructure and real estate. Globally, these products have proved their worth as efficient vehicles for monetising completed assets, recycling capital into new projects, and providing investors with transparent, yield-generating opportunities. In India too, REITs and InvITs have gained traction over the past few years.

The National Highways Infrastructure Trust is a great example- by transferring operational road assets into an InvIT, NHAI freed up capital for new highways, while investors gained access to a portfolio of income-generating assets.

At present, SEBI registered 5 REITs and 23 InvITs, have mobilised Rs.1.5 lakh crore, over the last five-years, with assets under management of Rs. 8.7 lakh crore, as at end of FY25.

These figures demonstrate the growing scale and acceptance of REITs and InvITs as mainstream investment vehicles. To further strengthen this growth trajectory and promote greater ease of doing business, SEBI has introduced a series of enabling reforms. Some of the recent measures include-

a) Expanding the scope of “Strategic Investor” for REITs and InvITs, to facilitate wider[2] investor participation.
b) Reclassification of REITs as “equity” for investments by mutual funds.
c) Introduction of SM REITs to make smaller real estate assets[3], more accessible to retail and institutional investors.
d) Mandating Investment Manager of InvIT / Manager of REIT to provide an option to the unitholders to attend the meeting through Video Conferencing or Other Audio Visual Means, for all unitholder meetings.

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[2] Strategic Investor will now additionally include the following entities: a) All Qualified Institutional Buyers which, inter-alia, include public financial institutions; provident funds and PFRDA registered pension funds with minimum corpus of Rs.25 crores, AIFs, State Industrial Development Corporation, etc; b) Family trust and intermediaries registered with board with a net worth of more than Rs. 500 crores; and c) Middle layer, Upper layer & Top layer Non-Banking Finance Companies registered with the Reserve Bank of India.

[3] Assets valued between Rs.50-500 crores.

e) Enabled e-voting option for unitholders, to encourage their greater participation in decision-making process.

Alternative Investment Funds (AIFs)

Beyond REITs and InvITs, another important contributor to infrastructure financing has been the Alternative Investment Funds (AIFs), which have grown rapidly in recent years. These specialized funds can pool resources from sophisticated investors and direct them into infrastructure projects that need patient capital.

The significant growth in AIF investments - from Rs. 1.1 lakh crore as of Mar-2019 to Rs. 5.7 lakh crore as of June-2025, along with commitment amount of Rs.14.2 lakh crore - reflects their growing relevance and potential to catalyse sustainable, inclusive economic growth in years to come.

Providing a direct boost to the infrastructure sector, Infrastructure Funds under Category-I AIFs have already invested over Rs. 7,500 crore as of June 2025. These investments carry real impact on the ground - they are creating a multiplier effect by generating employment, improving productivity, and accelerating overall economic growth.

To foster an ecosystem wherein private capital effectively complements the various modes available for infrastructure financing, SEBI has allowed Category I and II AIFs to create an encumbrance on the equity of its investee companies in infrastructure sector.

Further, to facilitate greater capital formation through AIF, we have decided to reduce the minimum investment threshold for Large Value Funds (LVFs) from Rs. 70 crore to Rs. 25 crore. This is expected to attract substantial risk capital under a lighter regulatory regime, channelize long term & sizable investments particularly in unlisted securities.

Municipal Bonds

Another critical avenue for financing urban infrastructure is the municipal bond market. Globally, municipal bonds have been a cornerstone of city-level development, enabling urban local bodies to raise long-term funds for essential projects such as water supply, sanitation, transport, and waste management. In India, this market is still evolving, but its importance cannot be overstated.

Recognising this, SEBI has been actively facilitating its growth - through regulatory reforms, municipal bond outreach programmes, and measures to improve transparency and disclosures. The aim is to empower our cities to access capital markets directly, reduce their dependence on government grants, and create a more sustainable model for financing urban infrastructure.

Since 2017, urban local bodies across India have raised around ₹3,134 crore through 21 bond issuances. Cities such as Chennai, Varanasi, Prayagraj, Agra, Rajkot, Vadodara and Ahmedabad have all come forward in recent years, signalling growing confidence in this route of financing. While the municipal bond market in India is still at a nascent stage, its potential is immense. With wider participation and consistent issuance, municipal bonds can evolve into a key pillar of funding for urban infrastructure.

Green Bond

As we look to the future of infrastructure development, sustainability is no longer optional—it is essential. This is where Green Bonds play a critical role. They channel capital specifically towards climate-friendly and environmentally sustainable projects such as renewable energy, clean transportation, and efficient water management.

In this regard, SEBI has put in place a detailed framework for green debt securities, enhanced disclosure requirements, and aligned domestic guidelines with global best practices. Since 2017, issuers across India have raised over Rs. 7,500 crore through 24 green bond issuances, widening the pool of instruments available to investors for participating into India's infrastructure growth story.

Challenges

But as with any bridge, we must ensure it is strong enough to carry the weight ahead. And here, we face challenges.

One challenge is scale. The funds raised so far, whether through municipal bonds or REITs/InvITs, are impressive compared to the past but remain small compared to the trillions of rupees we need.

Another is breadth. Our investor base is still narrow. Institutional investors dominate, while retail and foreign investors are cautious. Thin secondary market trading means liquidity is limited, which further discourages participation.

A third challenge lies in project readiness and credibility. Many municipal bodies struggle with weak balance sheets or delayed clearances.

The Way Forward

So, what must be done?

We must deepen and diversify the investor base. By encouraging institutional investors like mutual funds or pension funds, as well as retail investors to systematically allocate to infrastructure securities, we can broaden participation. The more hands we have holding these instruments, the stronger and more liquid the market becomes.

Asset monetization plan of Central Government has played a key role in development of market for InVITs. Going forward, there is a need to accelerate asset monetization in various sector such as roads, railways, ports, airports, energy, petroleum & gas and logistics. State Governments, barring a few, are yet to crystalize asset monetization plans to provide further boost to infrastructure creation. This gap needs to be addressed. A variety of products and models exists for such monetization such as InvITs, REITs, various forms of Public Private Partnership (PPP) and securitization.

India's infrastructure story is inseparable from its growth story. Public finance and bank credit laid the foundation, but the road to Viksit Bharat must be increasingly paved with the dynamism of capital markets.

If issuers, investors, regulators and all stakeholders work together as a team, the results will not be measured merely in crores mobilised, but in kilometres of highways, in hours of electricity supplied, in litres of clean water delivered, in millions of jobs created.

That is the promise of capital markets in strengthening infrastructure. That is the promise of infrastructure in driving India's economic development.

Thank you.

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