Address by
Shri Tuhin Kanta Pandey, Chairman, SEBI
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"The Ascent of Alternatives"
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Shri Sivasubramanian Ramann, Chairperson, PFRDA, Shri Amish Mehta, MD & CEO, Crisil Ltd., Shri Sundeep Sikka, Chairman, AMFI, industry leaders, ladies and gentlemen.

Good evening to all of you!

It is a pleasure to address such a distinguished gathering of eminent professionals and market leaders. I thank CRISIL for bringing together such a diverse set of stakeholders - fund managers, sponsors, and intermediaries - who are shaping the next phase of India's capital markets.

Not very long ago, "alternatives" sat at the edge of our market conversations. Today, they are at the centre of them. AIFs, REITs and InvITs have moved from being niche products to becoming mainstream channels of capital. This itself tells us something important about the direction in which our markets are evolving.

Alternative investment products are quietly reshaping how our capital markets function. What we are witnessing is not just product growth. It is a deeper shift in how savings are being matched with long-term opportunities in the real economy.

India's Capital Markets: From Depth to Diversity

India's capital markets have expanded in both scale and scope over the last decade. Participation has widened sharply. Products have diversified. Platforms have matured.

Today, India has over 140 million unique investors. Household savings are increasingly moving from physical assets into financial markets, participating in the country's growth cycle. Market capitalisation is now over 130 percent of GDP, up from about 81 percent in FY15. This reflects not just price movements, but a structural deepening of the market.

We have seen strong growth in professional asset management. Mutual fund assets have grown from around 9 percent of GDP in FY15 to about 23 percent of GDP to stand at ₹81 trillion, as at end of Jan, 2026.

Assets managed by Portfolio Managers, excluding EPFO and provident funds, have grown from about ₹1.2 trillion in FY15 to ₹8.6 trillion by end of Dec, 2025. This points to rising demand for differentiated strategies and tailored portfolios.

Most striking, perhaps, is the growth of the AIF ecosystem. From just about ₹0.1 trillion in FY15, AIF investments have expanded to over ₹6.5 trillion by end of 2025. This capital has been flowing into startups, private enterprises, infrastructure and emerging sectors - areas that need patient risk capital.

What does this tell us? It tells us that Indian capital markets are moving from a equity–debt framework to a more diversified, multi-asset ecosystem. Alternative investments now - are a natural next step in market maturity.

Why Alternatives, Why Now?

This ascent of alternatives is driven by real needs on both sides of the market.

Investors today operate in a volatile global environment. Diversification is no longer a portfolio preference. It is a necessity. There is also a growing search for yield and stable long-term cash flows.

At the same time, the Indian economy needs long-gestation capital. Infrastructure, real estate, private enterprises and new-age businesses require funding that is patient, flexible and risk-bearing. Traditional channels alone cannot meet this demand.

Household savings are also evolving. We are seeing a steady shift towards equities, mutual funds and portfolio management services. The growth of HNIs and family offices over the last few years has created demand for professionally managed, sophisticated products. Alternatives are well positioned at this intersection of evolving investor appetite and real economy needs.

Globally, REITs and InvITs have shown how completed assets can be monetised and capital can be redeployed into new projects. In India too, these vehicles are beginning to play that role.

As present, there are 5 REITs and 24 InvITs registered with SEBI. Since FY21, they have mobilised about ₹1.7 trillion as at end of Jan, 2025, with their combined assets under management at around ₹9.4 trillion. Of this, InvITs account for around ₹7 lakh crore, and REITs about ₹2.4 lakh crore.

These numbers reflect growing scale, growing acceptance, and growing confidence in these structures as mainstream investment vehicles. They also reflect the potential of capital markets in financing long-term national assets.

The Evolving Regulatory Architecture: Enabling Growth with Guardrails

As a regulator, our role is to ensure that this growth is both vibrant and resilient. Our approach has been simple. Encourage innovation. But build strong guardrails.

Alternatives, by design, deal with complex assets, long tenures and higher risks. This makes governance, transparency and risk management even more important. Let me outline how we have tried to balance flexibility with discipline.

Strengthening Governance and Transparency in AIFs

We have strengthened governance in the AIF ecosystem in several ways.

First, dematerialisation and NAV reporting. AIFs are now required to hold their units and investments only in dematerialised form. NAVs are reported to the depository system. This improves transparency, reduces operational risk, and enhances investor visibility.

Second, enhanced due diligence. Managers are required to conduct specific due diligence of investors to prevent circumvention of financial sector regulations. This helps protect the integrity of the ecosystem.

Third, fair treatment of investors. The pro-rata and pari-passu rights framework ensures that returns and investment rights are distributed fairly among investors. This strengthens trust within pooled vehicles.

Fourth, valuation discipline. A standardised valuation framework has been specified to bring consistency and rigour to the valuation of AIF portfolios. In private markets, valuation is not just an accounting exercise. It is central to investor confidence.

Preserving Flexibility for Innovation and Ease of Doing Business

At the same time, we have provided flexibility where it is needed.

We have enabled co-investment frameworks, allowing AIFs and their investors to co-invest in unlisted companies, alongside existing PMS route. This provides flexibility in structuring strategic investments.

We have introduced a dissolution period framework for AIFs and VCFs to deal with unliquidated investments at the end of tenure. This avoids forced exits and value destruction.

For Angel Funds, we have relaxed investment limits, removed concentration caps in start-up, and recognised Accredited Investors (AI) as QIBs for angel investments. This widens the pool of capital available to startups.

We have also created a light-touch framework for Accredited Investors by introducing ‘AI-only schemes’ with relaxed regulatory requirements.

Further, Category I and II AIFs are permitted to create encumbrance on equity in infrastructure investee companies, enabling better financing structures for long-term projects.

Strengthening REITs and InvITs: Ease, Access and Protection

For REITs and InvITs, we have expanded the scope of “Strategic Investors” to widen the participation. We have reclassified REITs as ‘equity’ for mutual fund investments, aligning with global practice and reflecting the more equity-like nature of REITs.

We have introduced ‘Small and Medium REITs’ to make smaller real estate assets accessible to a wider set of investors. This opens the door to asset formalisation and deeper market participation.

We have recently proposed to allow REITs and InvITs to invest in liquid mutual funds with minimum credit risk[1], to manage short-term liquidity while awaiting suitable asset deployment.

On governance, we have enabled board nomination rights for significant unitholders in InvITs.

We have introduced comprehensive Investor Charters for REITs and InvITs, clearly laying out investor rights, services, and grievance redressal mechanisms.

Specialised Investment Funds (SIFs) and PMS

To bridge the gap between Mutual Funds and PMS, we have introduced Specialised Investment Funds (SIFs), offering enhanced flexibility and sophisticated strategies for investors seeking differentiated exposure.

To facilitate Portfolio Managers, the format of ‘Disclosure Document’ for portfolio management services (PMS) has been simplified.

As a measure towards promoting ease of doing business, we have also permitted Portfolio Managers to transfer their PMS business to another registered Portfolio Manager.

Together, these measures aim to create an ecosystem that is innovative, transparent and resilient.

The Next Phase: Building the Second Curve of Growth

Let me now turn to institutional capital. Insurers, pension funds, mutual funds and family offices are becoming central to the alternatives story. These institutions manage long-term liabilities. They need assets that match duration, offer stable cash flows, and provide diversification. Alternatives can play that role when structured prudently.

[1] Credit Risk value of 10 or above in the Potential Risk Class Matrix

The data over the last few years shows that REITs and InvITs have scaled significantly. In the next phase, the focus should be on enhancing liquidity, increasing participation and higher volume of issuance.

To expand the use of REITs and InvITs, we are actively engaging with the Ministry of Finance and State Governments for public asset monetisation. This can unlock value from completed assets and recycle capital into new infrastructure.

We are focused on broadening the domestic investor base, with continued engagement with insurance and pension funds, and targeted dialogues with institutional investors.

On the AIF side, we are working to deepen the accreditation ecosystem. The number of Accredited Investors has grown from modest 649 in May 2025 to over 1,900 by January 2026 - a three-fold increase in just eight months. This shows traction. But it also shows the headroom that remains.

We are simplifying processes, reducing documentation, and exploring policy proposals to widen the accreditation framework further.

Our aim is to build depth. Build trust. And build capacity across the ecosystem.

Closing Remarks

The ascent of alternatives is part of the broader maturity of India's capital markets. What began as a niche has become a structural pillar.

But the journey ahead requires greater responsibility and collaboration.

The regulator must provide enabling frameworks.

Industry must uphold governance and discipline.

Investors must engage with awareness and prudence.

If we get this balance right, alternatives can do more than deliver returns. They can channel long-term capital into long-term national priorities. They can deepen markets. And they can strengthen the bridge between India's savings and India's future growth.

That, ultimately, is the promise of the ascent of alternatives.

Thank You.