CHAPTER 5

# FUND MANAGEMENT ACTIVITIES

India's financial landscape is undergoing significant transformation as investors increasingly favour financial assets over traditional instruments. This shift is driven by rising financial literacy, digital integration, and regulatory reforms that simplify investing while fostering inclusion. The mutual fund industry remains central to this trend, effectively mobilising domestic savings through accessible routes like Systematic Investment Plans (SIPs). Complementing this, the Alternative Investment Funds (AIFs), Portfolio Management Services (PMSs), and specialized vehicles such as REITs and InvITs are playing a crucial role in diversifying the market. SEBI remains committed to working with the industry to strengthen regulatory frameworks, ensuring transparency, robust investor protection, and broader investor base nationwide.

## 5.1 MUTUAL FUNDS

Enabled by an increasingly digital onboarding ecosystem, the asset management industry is witnessing a structural shift in retail capital allocation. The ongoing transition of household savings into financial instruments has propelled the growth of mutual fund industry. Over the past five years, total mutual fund AUM more than doubled from ₹31.43 lakh crore in March 2021 to ₹73.7 lakh crore by March 2026. In 2025-26, the unique investor count grew by 13.2 per cent year-on-year to 6.1 crore. This growth is notably decentralized, with Tier III cities accounting for 55 per cent share of the investor base, reflecting deep semi-urban penetration. SIPs have evolved as cornerstone of market resilience, with gross inflows increasing by 20.8 per cent during 2025-26 as investors favour disciplined, long-term participation. In this context, SEBI continues to safeguard mutual fund industry through interventions aimed at market development, regulation and investor protection. The following sections detail key policy measures and market trends for mutual fund industry during 2025-26.

### 5.1.1 Policy Developments

A. **Review of Mutual Funds Regulations, 1996:** Following a comprehensive review of the Mutual Funds regulatory framework, SEBI introduced the SEBI (Mutual Funds) Regulations, 2026 to simplify compliance, improve readability and strengthen investor protection **(Box 5.1)**.

B. **Introduction of Incentive Framework for Mutual Fund Distributors:** SEBI introduced an incentive structure for mutual fund distributors to encourage participation from new women investors (identified via new PAN). Aligned with the B30 incentive framework, this includes a cap of up to one per cent of eligible investments, subject to an overall limit of ₹2,000 per investor. This initiative is aimed at gender inclusion and financial awareness within the mutual fund industry.

C. **Rationalization of Maximum Permissible Exit Load:** The maximum permissible exit load that can be charged on mutual fund schemes has been reduced from 5 per cent to 3 per cent, with such load continuing to be credited back to the scheme for the benefit of remaining unitholders. This measure aligns the regulatory cap with prevailing industry practices, where exit loads are generally in the range of 1 per cent to 2 per cent, thereby easing the financial burden on investors seeking to exit. At the same time, the revised cap continues to safeguard the interests of remaining unitholders, particularly in schemes with exposure to relatively less liquid securities.

**Box 5.1: Review of Mutual Fund Regulatory Framework**

Over the past three decades, the mutual fund industry has undergone significant growth and transformation, including changes in market practices and widespread adoption of technology in the investment management space. To keep pace with evolving market dynamics and to safeguard investor interests, the mutual fund regulatory framework has been periodically updated over time. While these incremental amendments addressed specific regulatory needs, they also resulted in an increasingly extensive and layered regulatory structure. This created a need to undertake a comprehensive review of the Regulations aimed at offering stakeholders greater clarity, improved readability, and enhanced structural coherence.

While simplifying compliance, the revised framework retains the core principles, safeguards, and regulatory intent built over the years, and further strengthens investor protection, transparency, and governance standards within the mutual fund ecosystem. The revised SEBI (Mutual Fund) Regulations, 2026 was notified on January 14, 2026.

Pursuant to the notification of SEBI (Mutual Funds) Regulations, 2026, a comprehensive review of the master circular for mutual funds was undertaken to align it with the Regulations and also enhance clarity, simplify provisions, and improving ease of compliance. Some of the key features of the review include:

i. Improved readability and quick reference: Complex provisions, such as those relating to Gold ETF, Silver ETF and cumulative gross exposure limits etc., were converted into tabular formats to enable easier comprehension and quick reference.

ii. Principle-based drafting: Provisions containing rationale, commentary, or extracts of regulations were removed to ensure a precise, principle-based and "to-the-point" approach.

iii. Reorganization and thematic structuring: Provisions were systematically reorganized across chapters to improve logical flow and navigation.

iv. Consolidation of valuation provisions: Valuation-related provisions, previously dispersed across multiple sections, were consolidated into a dedicated chapter to enhance coherence and accessibility.

v. Integration of operational provisions: Provisions removed from the Regulations but requiring operational continuity, as well as certain prudential limits and valuation guidelines, were incorporated within the master circular at appropriate places to ensure completeness of the framework.

vi. Standardization: Scheme-related disclosures (SID, SAI, KIM) were transitioned into prescribed formats. Also all templates were reviewed and grouped under a dedicated "Formats" section for improved usability.

vii. Digitalization and 'Go Green' initiative: Requirements of newspaper advertisements were rationalized, with greater emphasis placed on website disclosures and digital communication modes such as SMS and email, in line with SEBI's "go green" initiative.

D. **Rationalization of B30 Incentive Framework:** The incentive structure for mutual fund distributors in respect of investments from B30 (beyond top 30 cities) locations has been rationalized to enhance financial inclusion and improve transparency. The revised framework provides for additional incentives only for investments from new individual investors (new PAN) at the industry level. Incentives are capped at one per cent of the first application amount (subject to one-year holding period for lump sums) and total investments made during the first year (in case of SIPs), subject to an overall cap of ₹2,000 per investor. Such incentives are funded through the investor education and awareness fund thereby ensuring that no additional expense is charged to the scheme. The changes also promote uniform applicability across schemes, reduce the scope for selective charging of incentives, and discourage churn-driven distribution practices.

E. **Discontinuation of Transaction Charges and Upfront Commissions:** Transaction charges and upfront commissions payable by investors in mutual fund investments have been discontinued, with the principle that distributors, as agents of AMCs, should be remunerated solely by the AMCs for services rendered. This measure removes direct costs for and enhances transparency.

F. **Transfer of Mutual Fund Units in SOA Mode:** A new framework has been operationalized to facilitate the transfer of mutual fund units held in Statement of Account (SOA) mode through the online portals of Mutual Fund RTAs. This initiative enhances operational efficiency and provides greater convenience to investors.

G. **Categorisation and Rationalisation of Mutual Fund Schemes:** Scheme categorisation has been updated to simplify product architecture, improve scheme comparability and enhancing transparency. Key changes include introduction of sectoral debt funds to support development of the corporate bond market and rationalisation of residual portions across categories to ensure consistency and alignment with scheme objectives.

New portfolio overlap conditions have been introduced to prevent excessive similarity in exposures, particularly in the sectoral/ thematic categories. SEBI also mandated public disclosure of portfolio overlap across categories to improve transparency and aid informed decision-making. Further, the introduction of life cycle funds seeks to promote goal-based and long-term investing through a predefined glide path that aligns asset allocation with the investor's life stage or target date.

H. **Specialized Investment Funds:** SEBI through amendments to the SEBI (Mutual Funds) Regulations, 1996 and its circular dated February 27, 2025, had introduced a comprehensive regulatory framework for Specialized Investment Funds (SIF). The framework is designed to bridge the gap between traditional mutual funds and portfolio management services by providing greater portfolio flexibility while maintaining appropriate regulatory oversight.

During 2025–26, through various circulars, SEBI introduced standardized formats for SIF application forms and investment strategy information documents to ensure disclosure consistency. Additionally, a mechanism was established to monitor the minimum ₹10 lakh investment threshold per investor. SEBI also prescribed uniform formats for compliance test reports and half-yearly trustee reports to streamline regulatory reporting.

I. **Facilitation of Point of Presence Activities:** Pension Fund Management Companies, which are subsidiaries of AMCs and registered as points of presence (PoPs), have been permitted to provide PoP services in accordance with the provisions of the PFRDA (PoP) Regulations, 2018 and related circulars. This recognizes the distribution of pension products through PoPs as an activity incidental to pension fund management, with a clear structural distinction and separate charge framework under the PFRDA regime. The measure is aligned with the objective of facilitating ease of doing business while ensuring regulatory clarity in the conduct of such activities.

J. **Borrowing by Equity-Oriented Passive Funds:** Pursuant to introduction of CAS in the equity cash segment of the stock exchanges, an enabling provision permitting borrowing by equity-oriented index funds and equity-oriented ETFs for participation in CAS was inserted in SEBI (Mutual Funds) Regulations, 2026.

K. **Timeline for Rebalancing of Portfolios:** Rebalancing timelines for passive breaches, the current timelines for rebalancing deviation from asset allocation limits, have now been made applicable for all the prudential limit, including issuer, group and sectoral caps.

L. **Valuation of Physical Gold and Silver:** With the objective of using valuation which is reflective of domestic market conditions and to ensure uniformity in the valuation practices, it has been decided that physical gold and silver held by mutual fund schemes are now valued based on spot prices published by recognised stock exchanges, replacing the previous reliance on LBMA prices.

M. **Streamlining of Mutual Fund Reports/Filings:** As part of ease-of-doing-business and compliance simplification measures, SEBI after reviewing the reports and filings submitted by mutual funds has discontinued the requirement for AMCs to file 52 reports and notices.

N. **Change in Cut-Off Timings:** To facilitate upstreaming of clients' funds placed with stock brokers/clearing members to clearing corporations via the pledge of units overnight schemes, the cut-off timings to determine applicable NAV for repurchase of units in these schemes was extended from existing 3 PM to 7 PM, applicable only for repurchase of units received through online mode.

### 5.1.2 Market Activity and Trends Observed

A. **Mutual Funds Registered with SEBI:** As of March 31, 2026, the number of Asset Management Companies (AMCs) registered with SEBI increased to 54, an increase of eight from the previous year (**Table 5.1**). Out of these 54 entities, five belong to the public sector.

B. **Schemes Launched:** During 2025-26, new schemes launched remained almost same, with 246 schemes at the end of March 2026 compared to 247 last year (**Table 5.2**). Among the 246 schemes, 244 were open-ended schemes, while two were close-ended schemes.

**Table 5.1: Number of Mutual Funds Registered**

| Sector | 2024-25 | 2025-26* |
|---|---|---|
| Private Sector | 41 | 49 |
| Public Sector | 5 | 5 |
| Total | 46 | 54 |

**Note:** *Additionally, there are three inactive Mutual Funds – two Private Sector and one Public Sector.

**Table 5.2: Mutual Funds Schemes Launched**

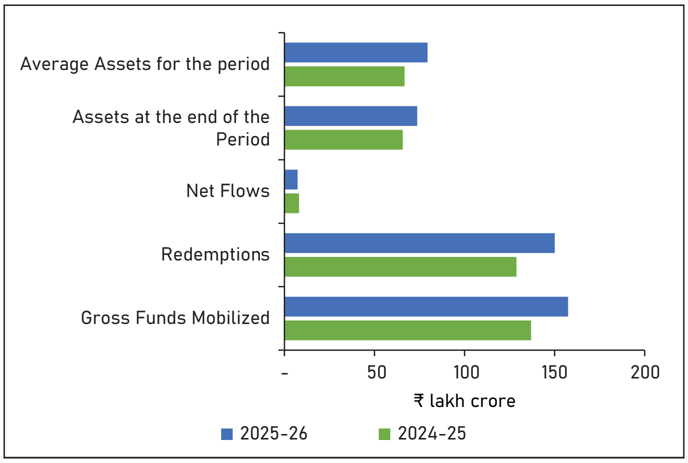
| Scheme Category | No. of Schemes Launched | |
|---|---|---|
| | 2024-25 | 2025-26 |
| **A. Open-Ended Schemes** | **245** | **244** |
| i. Income/Debt Oriented Schemes | 10 | 16 |
| ii. Growth/Equity Oriented Schemes | 70 | 63 |
| iii. Hybrid Schemes | 12 | 15 |
| iv. Solution Oriented Schemes | 3 | 0 |
| v. Other Schemes | 150 | 150 |
| **B. Close-Ended Schemes** | **2** | **2** |
| i. Income/Debt Oriented Schemes | 2 | 2 |
| ii. Growth/Equity Oriented Schemes | 0 | 0 |
| iii. Other Schemes | 0 | 0 |
| **C. Interval Schemes** | **0** | **0** |
| **Total (A+B+C)** | **247** | **246** |
| **Fund of Funds Schemes (Domestic)** | 14 | 49 |

**Note:** As on March 31 of respective year-end

C. **Resource Mobilization:** The mutual fund industry saw impressive resource mobilization in 2025-26. Gross mobilization reached ₹157.5 lakh crore, a 14.9 per cent increase from the ₹137.0 lakh crore recorded during the previous year. However, a 16.5 per cent rise in liquidations led to a 9.7 per cent decline in net inflows, which fell from ₹8.2 lakh crore in 2024-25 to ₹7.4 lakh crore in 2025-26. The details are shown in **Chart 5.1**.

In 2025-26, the public sector's share in mutual fund resource mobilization rose marginally to 22.9 per cent from 21.5 per cent the previous year. Similarly, its share of net fund inflows

**Chart 5.1: Mobilisation of Resources by Mutual Funds (₹lakh crore)**




**Note:** As on March 31 of respective year-end.

grew to 13.4 per cent from 11.8 per cent during the same period (**Table 5.3)**.

By the end of 2025-26, total AUM of mutual funds grew by 12.2 per cent to ₹73.7 lakh crore. Open-ended schemes account for 99.7 per cent of total net AUM. Within this category, growth/equity-oriented schemes led with a net inflow of ₹3.5 lakh crore, primarily driven by flexi-cap funds (₹89,213 crore), small-cap funds (₹51,872 crore), mid-cap funds (₹51,197 crore), and large & mid-cap funds (₹44,306 crore).

The passive investing continued to grow in both product offerings and capital inflows. The number of registered index funds rose to 360 from 309 in the previous year, while gold and other ETFs increased to 328 from 252. Overall net inflows into passive schemes (including index funds, ETFs, and overseas fund of funds) climbed to ₹2.1 lakh crore, from ₹1.4 lakh crore in 2024-25. Notably, net inflows into gold ETFs surged 4.6 times to ₹68,868 crore, driven by rising gold prices, inflation concerns, and heightened geopolitical risks.

During 2025-26, open-ended income/debt oriented schemes recorded a net inflow of ₹22,162 crore (**Table 5.4**). Money market funds led this category with the largest net inflow of ₹59,478 crore, followed by low duration funds at ₹8,762 crore and ultra-short duration funds at ₹6,143 crore. In contrast, several sub-categories faced significant redemptions, with short duration funds seeing outflows of ₹10,762 crore, followed by banking and PSU funds (₹8,653 crore), corporate bond funds (₹8,121 crore), and gilt funds (₹7,799 crore).

Hybrid schemes performed well, with almost all sub-categories reporting positive inflows except for conservative hybrid funds, which saw a marginal outflow of ₹278 crore. Multi-asset allocation funds attracted the highest interest with ₹65,209 crore in inflows, followed by

**Table 5.3: Sector-wise Resource Mobilisation (₹crore)**

| Financial Year | Private Sector Mutual Funds | | | | Public Sector Mutual Funds | | | | Grand Total |
|---|---|---|---|---|---|---|---|---|---|
| | Open | Close | Interval | Total | Open | Close | Interval | Total | |
| **Mobilisation of Funds** | | | | | | | | | |
| 2024-25 | 1,07,54,242 | 509 | 0 | 1,07,54,751 | 29,48,600 | - | - | 29,48,600 | 1,37,03,351 |
| 2025-26 | 1,21,47,200 | 810 | 0 | 1,21,48,010 | 36,01,621 | - | - | 36,01,621 | 1,57,49,631 |
| **Redemptions/Repurchases** | | | | | | | | | |
| 2024-25 | 1,00,33,055 | 2,125 | 444 | 1,00,35,624 | 28,51,709 | 902 | - | 28,52,611 | 1,28,88,236 |
| 2025-26 | 1,15,09,599 | 1,328 | 42 | 1,15,10,969 | 35,00,573 | 2,068 | - | 35,02,641 | 1,50,13,610 |
| **Net Inflows/Outflows** | | | | | | | | | |
| 2024-25 | 7,21,188 | -1,617 | -444 | 7,19,127 | 96,891 | -902 | - | 95,989 | 8,15,115 |
| 2025-26 | 6,37,601 | -518 | -42 | 6,37,041 | 1,01,048 | -2,068 | - | 98,980 | 7,36,021 |

**Table 5.4: Scheme-wise Statistics**

| Scheme Category | No. of Schemes (As on March 31, 2026) | No. of Folios (As on March 31, 2026) | Funds Mobilized (₹crore) (From April 01, 2025 to March 31, 2026) | Repurchase/ Redemption (₹crore) (From April 01, 2025 to March 31, 2026) | Net Inflow (+ve)/ Outflow (-ve) (₹crore) (From April 01, 2025 to March 31, 2026) | Net AUM as on March 31, 2026 (₹crore) |
|---|---|---|---|---|---|---|
| **A. Open ended Schemes** | **1,865** | **27,34,52,370** | **1,57,48,822** | **1,50,10,172** | **7,38,649** | **73,48,614** |
| i. Income/Debt Oriented Schemes | 335 | 82,84,434 | 1,39,19,494 | 1,38,97,332 | 22,162 | 16,51,502 |
| ii. Growth/Equity Oriented Schemes | 568 | 18,27,31,153 | 7,81,385 | 4,34,849 | 3,46,536 | 31,97,698 |
| iii. Hybrid Schemes | 181 | 1,90,17,036 | 5,39,711 | 3,84,894 | 1,54,818 | 10,34,774 |
| iv. Solution Oriented Schemes | 41 | 63,03,178 | 6,358 | 3,108 | 3,250 | 52,925 |
| v. Other Schemes | 740 | 5,71,16,569 | 5,01,873 | 2,89,989 | 2,11,884 | 14,11,715 |
| **B. Close Ended Schemes** | **90** | **4,80,978** | **810** | **3,396** | **-2,587** | **24,732** |
| i. Income/Debt Oriented Schemes | 77 | 2,33,813 | 810 | 3,115 | -2,306 | 21,174 |
| ii. Growth/Equity Oriented Schemes | 13 | 2,47,165 | - | 281 | -281 | 3,558 |
| iii. Other Schemes | - | - | - | - | - | - |
| **C. Interval Schemes** | **3** | **911** | **0** | **42** | **-42** | **30** |
| i. Income/Debt Oriented Schemes | 3 | 911 | 0 | 42 | -42 | 30 |
| ii. Growth/Equity Oriented Schemes | - | - | - | - | - | - |
| iii. Other Schemes | - | - | - | - | - | - |
| **Grand Total (A+B+C)** | **1,958** | **27,39,34,259** | **1,57,49,631** | **1,50,13,610** | **7,36,021** | **73,73,377** |
| **Fund of Funds Scheme (Domestic)** | **145** | **1,20,96,585** | **1,36,496** | **54,375** | **82,122** | **2,02,965** |

arbitrage funds at ₹50,060 crore. Other notable gainers included dynamic asset allocation/ balanced advantage funds (₹16,644 crore), balanced/aggressive hybrid funds (₹15,899 crore), and equity savings funds (₹7,282 crore).

D. **Trend in Transaction on Stock Exchanges:** Aggregate net investments by mutual funds in the secondary market declined by 21.5 per cent, falling to ₹3.1 lakh crore in 2025-26 from ₹3.9 lakh crore the previous year **(Table 5.5)**. During

**Table 5.5: Trends in Transaction on Stock Exchanges by Mutual Funds (₹crore)**

| Financial Year | Equity | | | Debt | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gross Purchase | Gross Sales | Net Purchase/ Sales | Gross Purchase | Gross Sales | Net Purchase/ Sales | Gross Purchase | Gross Sales | Net Purchase/ Sales |
| 2024-25 | 30,80,655 | 26,01,488 | 4,79,167 | 40,81,258 | 41,68,718 | -87,461 | 71,61,912 | 67,70,205 | 3,91,707 |
| 2025-26 | 32,41,173 | 26,83,212 | 5,57,961 | 51,35,052 | 53,85,607 | -2,50,554 | 83,76,225 | 80,68,819 | 3,07,407 |

**Note:** As on March 31 of respective year-end.

Chart 5.2: Deployment of Funds by Debt Schemes as on March 31, 2026

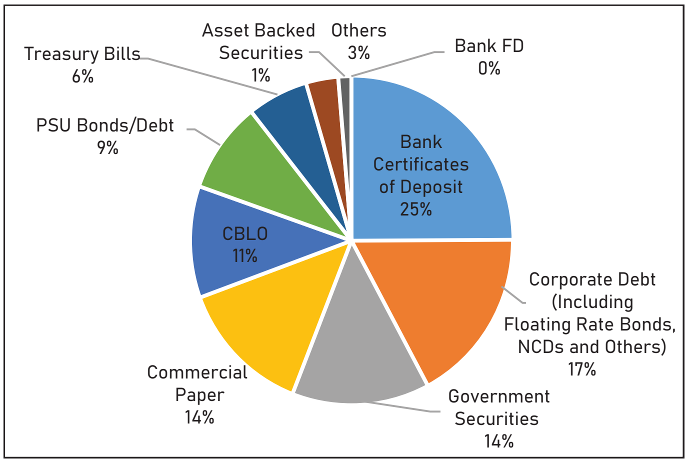
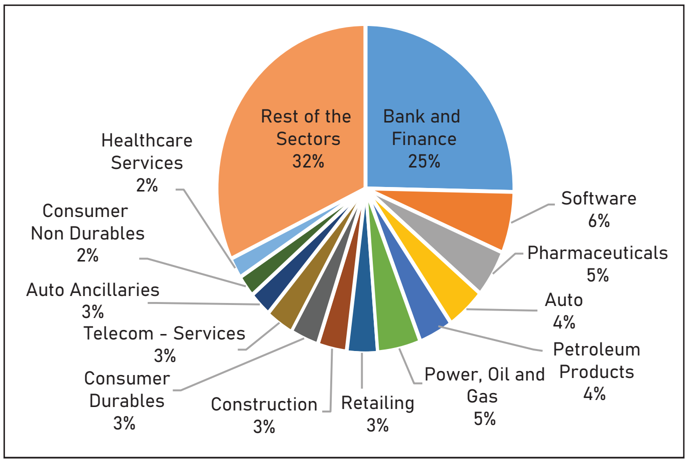



Chart 5.3: Deployment of Funds by Equity Schemes




2025-26, the industry's activity was notably split: the debt segment reported net sales of ₹2.5 lakh crore, while the equity segment saw net purchases of ₹5.6 lakh crore.

E. **Deployment of Funds:** As on March 31, 2026, the debt scheme assets were primarily deployed with bank in certificate of deposits (24.7 per cent), followed by 17.4 per cent in corporate debt and 14.0 per cent in G-secs **(Chart 5.2)**.

On the other hand, 44.0 per cent of the total assets under equity schemes were deployed in five major sectors. Bank and finance accounted for the highest investment share at 25.4 per cent, followed by software (6.0 per cent), pharmaceuticals (4.7 per cent), auto (4.2 per cent) and petroleum products (3.7 per cent) (**Chart 5.3**).

F. **Asset Class-wise Deployment of Funds:** During 2025-26, mutual funds saw a substantial 14.7 per cent rise in overall fund deployment across asset classes, with the total value increasing from ₹66.1 lakh crore to ₹75.8 lakh crore. The "Other" category experienced a remarkable surge of 251.9 per cent, while equity and debt deployments grew more steadily by 11.6 per cent and 6.7 per cent, respectively (**Table 5.6**). These figures reflect a continuing trend toward broader diversification within mutual fund portfolios.

**Table 5.6: Asset Class-wise Deployment of Funds (₹crore)**

| Financial Year | Equity | Debt | Others | Total |
|---|---|---|---|---|
| 2024-25 | 41,99,030 | 22,81,137 | 1,31,339 | 66,11,506 |
| 2025-26 | 46,84,983 | 24,33,747 | 4,62,154 | 75,80,884 |

**Note:** As on March 31 of respective year-end

G. **Mutual Funds Scheme-wise Annual Returns:** The distribution of mutual fund schemes reflected subdued market performance during 2025-26. The number of schemes posting negative returns surged from 243 in 2024-25 to 731 in 2025-26, while those yielding returns above 5 per cent dropped from 1,156 to 737. Additionally, the count of schemes generating returns exceeding 10 per cent declined from 304 to 198, highlighting a more subdued return environment driven by market volatility (**Table 5.7**).

**Table 5.7: Scheme-wise Annual Returns**

| Annual Return Range (per cent) | No. of schemes | |
|---|---|---|
| | 2024-25 | 2025-26 |
| <= -10 | 30 | 93 |
| from -10 to <= -5 | 41 | 146 |
| from -5 to <=0 | 172 | 492 |
| from 0 to <=5 | 218 | 373 |
| from 5 to <=10 | 852 | 539 |
| > 10 | 304 | 198 |

**Note:** Annual Returns for Direct Plan Growth Option of Schemes

## H. Growth of Mutual Fund Investors

i. **Unit holding pattern:** During 2025-26, mutual funds added 3.9 crore folios, bringing the total folio count to 27.4 crore. Individual investors dominated the landscape, holding 97.7 per cent of all folios and 58.3 per cent of total AUM (**Table 5.8**). In contrast, while corporates and institutions accounted for only 0.6 per cent of folios, they held a substantial 37.8 per cent of total net assets. Non-resident Indians and overseas corporate bodies represented 1.7 per cent of folios and contributed four per cent to the overall AUM.

ii. **Unique investors:** The mutual fund industry experienced significant expansion in its investor base during 2025-26, as the number of unique investors grew by 13.2 per cent, rising from 5.4 crore to 6.1 crore. This growth was notably driven by Tier II cities, where the investor count surged 37.6 per cent from 1.0 crore to 1.4 crore. While Tier III cities continued to hold the largest share, increasing from 3.3 crore to 3.4 crore, the overall trend highlights deepening market penetration and the success of outreach efforts beyond traditional metro and urban centres (**Table 5.9**).

iii. **Systematic investment in mutual funds:** In 2025-26, the number of SIP accounts grew by 3.9 per cent, rising from 10.05 crore to 10.45 crore. During this period, 7.2 crore new SIPs were registered, while 6.8 crore were either discontinued or reached maturity. Financial inflows also trended upward, with the average net monthly SIP contribution increasing by 25.8 per cent from ₹13,052 crore to ₹16,413 crore (**Table 5.10 and 5.11**).

## I. Number of Defaults and Restructurings in Debt Securities:

**Number of Defaults and Restructurings in Debt Securities:** During 2025-26, there was only one instance of default of debt securities held by

**Table 5.8: Unit Holding Pattern**

| Category | Year (As on March 31) | No. of Folios | Percentage to Total Folios | AUM (₹crore) | Percentage to Total Net Assets |
|---|---|---|---|---|---|
| Individuals | 2024-25 | 22,84,44,305 | 97.4 | 38,17,886 | 58.1 |
| | 2025-26 | 26,75,31,378 | 97.7 | 42,96,350 | 58.3 |
| NRIs/OCBS | 2024-25 | 40,20,149 | 1.7 | 2,59,788 | 4.0 |
| | 2025-26 | 47,10,893 | 1.7 | 2,88,189 | 3.9 |
| FPIs | 2024-25 | 196 | 0.0 | 3,952 | 0.1 |
| | 2025-26 | 299 | 0.0 | 3,224 | 0.0 |
| Corporates/Institutions/Others | 2024-25 | 20,43,421 | 0.9 | 24,92,662 | 37.9 |
| | 2025-26 | 16,91,689 | 0.6 | 27,85,614 | 37.8 |
| **Total as on March 31, 2025** | | **23,45,08,071** | **100** | **65,74,287** | **100** |
| **Total as on March 31, 2026** | | **27,39,34,259** | **100** | **73,73,377** | **100** |

**Table 5.9: Unique Investors in Mutual Funds**

| Financial Year | Tier I | Tier II | Tier III | Total |
|---|---|---|---|---|
| 2024-25 | 1,13,23,349 | 1,02,91,153 | 3,26,34,133 | 5,42,48,635 |
| 2025-26 | 1,33,72,677 | 1,41,55,550 | 3,38,77,743 | 6,14,05,970 |

**Table 5.10: Trends in SIP Investor Accounts and Funds Flows**

| Financial Year | No. of contributing SIP Accounts (in lakh) | AUM through SIPs (₹crore) | Gross Inflows through SIPs (₹crore) | Net Inflows through SIPs (₹crore) | Average Net Monthly Inflows (₹crore) |
|---|---|---|---|---|---|
| 2024-25 | 1,005 | 13,35,188 | 2,89,352 | 1,56,621 | 13,052 |
| 2025-26 | 1,045 | 15,10,943 | 3,49,589 | 1,96,957 | 16,413 |

**Table 5.11: Distribution of SIP Flows**

| Folio Value (₹) | Number of SIP Folios | |
|---|---|---|
| | 2024-25 | 2025-26 |
| less than ₹500 | 1,11,51,596 | 1,11,76,428 |
| 501 to 1,000 | 3,19,83,946 | 3,05,97,939 |
| 1,001 to 3,000 | 3,33,41,841 | 3,35,16,161 |
| 3,001 to 5,000 | 1,40,22,581 | 1,44,18,712 |
| 5,001 to 10,000 | 58,73,018 | 61,66,853 |
| 10,001 and above | 27,94,040 | 29,60,283 |

mutual fund schemes (**Table 5.12**). Percentage of default and restructured amount to total debt schemes' AUM increased to 0.5 per cent in 2025-26 from 0.002 per cent in the previous year.

J. **Quantum of Unclaimed Amount:** The unclaimed redemption amount of mutual funds decreased marginally by 0.5 per cent falling from ₹1,128 crore at the end of 2024-25 to ₹1,122 crore at the end of 2025-26 (**Table 5.13**). Meanwhile, the unclaimed dividend amount registered an increase of 15.7 per cent reaching ₹2,689 crore in 2025-26 from ₹2,324 crore in 2024-25.

K. **Mutual Fund Stress Test:** Mutual fund stress testing, mandated by SEBI for mid-cap and small-cap funds, simulates extreme market crashes to evaluate a fund's ability to handle high redemption pressure. These tests measure how many days it takes to liquidate 25 per cent and 50 per cent of a portfolio, ensuring fund managers can pay back investors without severely impacting the NAV. During March 2026, to liquidate 50 per cent of their portfolios, the top 10 mid-cap schemes - by AUM - required an average of 17 days, whereas the top 10 small-cap funds averaged 38 days. This liquidity constraint intensified to 23 days for the top 5 mid-cap schemes and 51 days for the top 5 small-cap schemes, highlighting concentration risks in larger funds.

**Table 5.13: Quantum of Unclaimed Amount (₹crore)**

| Year | Unclaimed Redemption Amount | Unclaimed Dividend Amount |
|---|---|---|
| 2024-25 | 1,128 | 2,324 |
| 2025-26 | 1,122 | 2,689 |

**Note:** As on March 31 of respective year-end.

**Table 5.12: Defaults and Restructurings in Debt Securities held by Mutual Fund Schemes**

| Year | No. of Instances of Defaults | No. of Instances of Restructuring | Default and Restructured Amount** (₹crore) | Total (Cumulative) Amount Recovered@ after Default (₹crore) | Outstanding Default and Restructured Amount (₹crore) | Per cent of Default and Restructured Amount to Total Debt Schemes AUM |
|---|---|---|---|---|---|---|
| 2024-25 | 2 | - | 550.5 | 318.5 | 1,559.7 | 0.002 |
| 2025-26 | 1 | - | 518.7 | 417.1 | 1,467.7 | 0.5 |

**Notes:** i. ** indicates as on date of default/restructuring;
ii. @Security or after restructuring.

**Table 5.14: Registered Distributors with AMFI**

| As on | No. of Distributors |
|---|---|
| March 31, 2025 | 1,78,289 |
| March 31, 2026 | 1,98,873 |

L. **Distributors:** The number of registered mutual fund distributors grew from 1,78,289 as of March 31, 2025, to 1,98,873 by March 31, 2026 **(Table 5.14)**.

## 5.2 ALTERNATIVE INVESTMENT FUNDS

To foster a robust and efficient AIF ecosystem, SEBI has implemented various strategic policy measures during 2025-26 to enhance operational flexibility, simplify compliance for market participants, strengthen regulatory oversight and promote sustainable private capital participation. The major policy developments are summarized below:

### 5.2.1 Policy Developments

A. **Regulatory Fillip to Accredited Investors:** SEBI introduced Accredited Investors (AI) only schemes exclusively for AIs, with specific regulatory flexibilities to such schemes. Some of the key regulatory relaxations include exemption from pari-passu treatment to investors, exemption from certification requirement for key investment team and an extension of tenure of up to 5 years. Further, the minimum investment threshold for Large Value Funds (LVFs) was reduced from ₹70 crore to ₹25 crore. Existing eligible AIF schemes may also choose to convert into AI-only or LVF classification, to avail associated benefits. These initiatives are expected to attract substantial risk capital under a lighter regulatory regime, facilitating greater capital formation.

B. **Flexibility to Make Co-investments:** To streamline the co-investment landscape, SEBI amended the AIF Regulations to allow Category I and II AIFs to offer co-investment opportunities to Accredited Investors through 'Co-investment Scheme' (CIV), a distinct scheme within the AIF ecosystem. This complements the existing PMS route for co-investment and provides investors with greater flexibility to co-invest with AIF in unlisted investee companies.

C. **Simplification of Accreditation Requirements:** Based on industry feedback, SEBI further simplified the process of accreditation of investors and their on-boarding to AIFs. In order to address the privacy concerns of investors, the requirement of granular disclosure of investor's assets and liabilities in the net-worth certificate was removed. The certifying chartered accountant has an option to simply confirm that the investor meets the prescribed threshold without disclosing the exact, granular net-worth figure. Additionally, investment managers, based on their assessment of the investor's eligibility criteria may finalise/execute the contribution agreement, and initiate related operational procedures. However, schemes of AIFs shall receive funds from such investors only after they obtain accreditation certificate from an accreditation agency.

D. **Amendment to SEBI (Alternative Investment Funds) Regulations:** To streamline the regulatory framework for Angel Funds with respect to their fundraising processes, investment conditions, operational aspects and governance, the AIF regulations were amended. For details, see **Box 5.2.**

E. **Amendment to Regulation 17(a):** To enhance operational flexibility for Category II AIFs, SEBI amended the AIF Regulations to address possible shrinkage in pool of unlisted debt securities available for investment by Category II AIFs. Category II AIFs are required to hold a majority of their investments in unlisted securities. As current listing norms for debt securities mandate that entities with listed debt must issue fresh debt only in listed form, the resultant drop in availability of unlisted debt securities can come in the way of AIFs complying with the minimum investment norms in unlisted securities. Consequently, SEBI allowed Category II AIFs to treat listed debt

## Box 5.2: Review of Angel Funds Regulatory Framework

Angel Fund' is a sub-category of AIFs dedicated for channelizing risk capital from Angel Investors to start-ups in need. Unlike other AIFs where investment decision is taken by the Manager, investments by Angel Funds are made upon obtaining explicit investor consent for each investment. A review of the regulatory framework for Angel Funds indicated gaps in operational clarity and concerns about offering investment opportunities to a wide range of investors, some of whom may not have commensurate risk appetite for investment in illiquid assets. The existing prudential norms and investment conditions also required revision to provide more flexibility and ease of operations.

One of the core principles of SEBI is to ensure sustainable capital formation across securities market and facilitate investments into start-ups. At the same time, there is also a need to ensure that only those investors with risk capability are shown offers to invest in unlisted start-ups through Angel Funds. Considering the same, SEBI (Alternative Investment Funds) Regulations were amended to streamline the regulatory framework for Angel Funds with respect to their fundraising processes, investment conditions, operational aspects and governance. Some of the key features of the revised regulatory framework for Angel Funds are as under –

(a) To ensure that only those investors with risk capability are shown offers to invest in unlisted start-ups, Angel Funds have been mandated to on-board and offer investment opportunities to Accredited Investors only. Accredited Investors are those who meet commensurate net-worth and/or income criteria specified by SEBI, and are certified by a SEBI recognised accreditation agency after verification. In addition, SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 have been amended to include Accredited Investors as Qualified Institutional Buyers (QIBs) for the limited purpose of investments in Angel Funds only. This would allow Angel Funds to show opportunities to a wider pool of eligible investors, while staying in conformity with Companies Act, 2013.

(b) On the strength of the aforesaid mandate, various substantial flexibilities have been extended to Angel Funds for investment in start-ups as given below –

  (i) Relaxation of floor and cap for investment in a start-up from ₹25 lakh - ₹10 crore to ₹10 lakh – ₹25 crore. Consequently, Angel Funds will be able to invest higher amounts in a start-up. At the same time, they will also be able to start investing in a start-up with an amount as low as ₹10 lakh.

  (ii) Removal of concentration limit of 25 per cent (of total investments) for investment in a start-up, thereby extending flexibility to Angel Funds in providing funding to start-ups.

  (iii) Allowing contributions from more than 200 Accredited Investors in an investment. This would enhance channelization of capital to a start-up through Angel Funds, as Angel Funds can accept contribution from more number of investors (as against existing limit) for investment in a start-up.

  (iv) Enabling follow on investment in an investee company which is no longer a start-up, so that Angel Investors can preserve the value of their initial investments made in such companies through Angel Funds.

  (v) Removal of maximum 5-year limit for drawing down capital from an investor, so that flow of capital to start-up through Angel Funds is not affected by any time limit.

(c) Further, to ensure fairness and enhance governance, Angel Funds/their managers have been mandated to adopt a defined methodology for allocation of investment opportunity among consenting investors, adhere to principle of pro-rata rights of investors, have minimum continuing interest in each investment and carry out annual audit of compliance with PPM terms, among others.

These measures would help rationalise the fund raising process such that only investors with adequate risk appetite and appreciation are offered opportunities for investment in start-ups. It will also strengthen governance mechanisms, provide investment flexibility and operational clarity to Angel Funds. In long run, these norms are envisaged to enhance ease of doing business for Angel Funds and improve funding for start-ups through the Angel Funds, with necessary safeguards in place.

securities rated 'A' or below akin to investment in unlisted securities for the purpose of meeting the compliance threshold, thereby encouraging investment in lesser-rated debt.

F. **Notification of Specialized NISM Certification Modules:** To better align expertise with fund strategies, SEBI gave a choice to key management team of AIF to fulfil the certification requirement. While the initial mandate required a general AIF Managers Certification (NISM Series-XIX-C), subsequent feedback from industry led to the introduction of specialized modules for managers of Category I/II AIFs (NISM Series-XIX-D) and Category III AIFs (NISM Series-XIX-E). The key investment team of AIF managers has an option to either obtain the general certification or the specialised certification, as per their need and strategy.

G. **Review of minimum value of investment in Social Impact Fund:** In order to enhance retail participation on Social Stock Exchange, the minimum value of investment by individual investors in Social Impact Funds has been reduced from Rs.2 lakh to Rs.1000. This would align the requirement of minimum application size for subscribing to Zero Coupon Zero Principle Instruments under SEBI (ICDR) Regulations, 2018 with the requirement of minimum value of investment by individual investors in Social Impact Funds.

H. **Extension of Additional Liquidation Period:** SEBI extended the additional liquidation period for Venture Capital Funds (VCFs) migrating to the AIF regime by one year, recognizing the complexities involved in winding up legacy schemes. This extension provides migrated VCFs liquidation period until July 19, 2026, to resolve unliquidated investments, ensuring that the migration process does not unduly penalize fund managers or investors.

I. **Reporting of Value of AIF Unit to Depositories:** To improve transparency and leverage existing market infrastructure, SEBI has mandated AIFs to report the Net Asset Value (NAV) of their units to depositories. AIF managers, through their RTAs, must upload the latest available NAV for each ISIN to the depository system by May 01, 2026, or within 30 days of the valuation date, whichever is later. This integrates AIF valuation data directly into the depository ecosystem, allowing investors to view latest NAV information alongside their holdings. Further, reporting requirements for AIFs were rationalised as given in **Box 5.3**.

J. **Certification Requirement for Compliance Officers of AIF Managers:** To ensure robust internal governance, SEBI has mandated that compliance officers of AIF managers shall obtain the NISM Series III-C (Securities Intermediaries Compliance - Fund) certification. AIF managers have been granted a one-year transition window to ensure their compliance personnel attain the requisite qualification. This measure aims to standardize regulatory knowledge across compliance officers of the industry, thereby fostering a culture of discipline in regulatory compliances.

### Box 5.3: Rationalization of Reporting Requirements for AIFs

The reporting framework for AIFs was revised with a view to enhance efficiency, reduce compliance burden, and improve data relevance. As an ease of doing business measure for AIFs, the quarterly reporting format has been substantially condensed and simplified, resulting in a reduction of approximately 53 per cent in data points compared to the earlier format. SEBI has also introduced a comprehensive annual reporting format where comprehensive submissions will be required to be made by AIFs. Overall, the above rationalization shall result in reduction of data points by 35 per cent.

The first annual report, covering 2025-26, is due by May 31, 2026.

### 5.2.2 Market Activity and Trends Observed

A. **Category-wise Registration of AIFs:** As of March 31, 2026, the total number of registered AIFs rose to 1,829, up from 1,526 the previous year (**Table 5.15**). Year-on-year, Category I, II, and III AIFs saw registrations grow by 17.1 per cent, 18.2 per cent, and 26.5 per cent, respectively.

B. **Category-wise Investment in AIFs:** By March 31, 2026, the AIF industry continued its expansion as total commitments rose 25.6 per cent to ₹16,94,262 crore, up from ₹13,49,051 crore in the previous year. During 2025-26, funds raised and investments made grew by 24.7 per cent and 25.7 per cent, respectively, with Category II AIFs maintaining their dominance. Within Category I, venture capital funds led the activity, while social impact funds saw a notable 138.7 per cent surge in funds raised despite a 11.1 per cent dip in commitments. By the end of this period, the AIFs total AUM, representing cumulative net investments, reached ₹6,76,365 crore (**Table 5.16**).

C. **Instrument-wise Deployment of Funds:** As on March 31, 2026, 37.1 per cent of total funds in AIFs were invested in unlisted equity shares, equity-linked instruments and LLP interests, followed by 29.8 per cent in listed equity (excluding listed or to-be-listed on SME exchanges) and 22.7 per cent in debt and securitized debt instruments **(Table 5.17)**.

D. **Sector-wise Deployment of Funds by AIFs:** At end of March 31, 2026, AIFs had deployed a major portion of funds in real estate (19.1 per cent), followed by financial services (9.8 per cent), IT/ITeS (6.1 per cent), non-banking financial

**Table 5.15: Registered Alternative Investment Funds**

| Category of AIFs | No. of AIFs registered as on | |
|---|---|---|
| | March 31, 2025 | March 31, 2026 |
| **Category I - Total** | **321** | **376** |
| Infrastructure Fund | 17 | 16 |
| Social impact Fund | 12 | 12 |
| Venture Capital Fund (Including Angel fund) | 266 | 319 |
| SME Fund | 15 | 18 |
| Special Situation Funds | 11 | 11 |
| **Category II** | **862** | **1,019** |
| **Category III** | **343** | **434** |
| **Total** | **1,526** | **1,829** |

**Table 5.16: Investment by AIFs (₹crore)**

| Type of AIF | As on March 31, 2025 | | | As on March 31, 2026 | | |
|---|---|---|---|---|---|---|
| | Commitments Raised | Funds Raised | Investments Made | Commitments Raised | Funds Raised | Investments Made |
| **Category I Total** | **89,083** | **49,373** | **42,931** | **1,05,249** | **58,772** | **50,530** |
| CDMDF | - | - | - | 4,762 | 4,762 | 5,371 |
| Infrastructure Fund | 19,650 | 8,969 | 7,530 | 20,571 | 8,717 | 7,364 |
| Social Impact Fund | 2,121 | 441 | 540 | 1,886 | 1,052 | 869 |
| Venture Capital Fund (Including Angel fund) | 61,932 | 36,728 | 31,814 | 69,713 | 40,470 | 33,923 |
| SME Fund | 1,219 | 854 | 747 | 1,473 | 1,121 | 934 |
| **Special Situation Fund** | **4,161** | **2,381** | **2,300** | **6,844** | **2,650** | **2,069** |
| **Category II** | **10,30,041** | **3,66,621** | **3,32,201** | **12,74,300** | **4,44,122** | **4,12,628** |
| **Category III** | **2,29,927** | **1,47,435** | **1,63,029** | **3,14,713** | **1,99,829** | **2,13,207** |
| **Grand Total** | **13,49,051** | **5,63,429** | **5,38,161** | **16,94,262** | **7,02,724** | **6,76,365** |

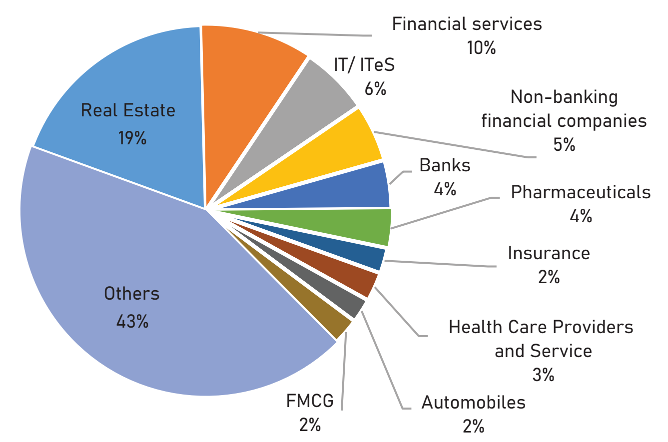
**Table 5.17: Instrument-wise Deployment of Funds by AIFs**

| Type of Instruments | As on March 31, 2025 | | As on March 31, 2026 | |
|---|---|---|---|---|
| | Funds Invested (₹crore) | Share (per cent) | Funds Invested (₹crore) | Share (per cent) |
| Unlisted Equity Shares/Equity Linked Instruments/ LLP Interest | 2,07,292 | 38.5 | 2,51,000 | 37.1 |
| Listed Equity (excluding Listed/to be listed on SME exchange) | 1,50,171 | 27.9 | 2,01,810 | 29.8 |
| Debt/Securitized Debt Instruments | 1,14,167 | 21.2 | 1,53,370 | 22.7 |
| Units of other AIFs | 22,934 | 4.3 | 48,551 | 7.2 |
| Liquid Funds | 823 | 0.2 | 315.31 | 0.0 |
| Listed/ to be Listed Securities on SME Exchange | 378 | 0.1 | 2064.01 | 0.3 |
| Others | 42,396 | 7.9 | 19,255 | 2.8 |
| **Total** | **5,38,161** | **100** | **6,76,365** | **100** |

companies (5.1 per cent), banks (4.3 per cent) and pharmaceuticals (3.4 per cent) **(Chart 5.4)**. The top six sectors accounted for around 39.6 per cent of total deployment of funds by AIFs as at the end of December 2025.

E. **Investment in MSMEs and Start-ups:** As on March 31, 2026 the investments made by AIF in start-ups stood at ₹20,029 crore followed by micro enterprises at ₹1,264 crore, small enterprises at ₹1,186 crore and medium enterprises at ₹652 crore (**Table 5.18**).

**Chart 5.4: Sector-wise Deployment of Funds by AIFs***




*As on March 31, 2026

**Table 5.18: AIF Investment in Start-ups during 2025-26 (₹crore)**

| Category of AIF | Investments made in Medium Enterprises | Investments made in Micro Enterprises | Investments made in Small Enterprises | Investments made in Start-ups |
|---|---|---|---|---|
| **Category I Total** | **302** | **418** | **297** | **7,029** |
| Category I AIF - SME Fund | 22 | - | 11 | - |
| Category I AIF - Social Impact Fund | - | 91 | - | - |
| Category I AIF - VCF (Angel Fund) | 4 | - | - | 2,696 |
| Category I AIF - Venture Capital Fund | 276 | 327 | 286 | 4,333 |
| **Category II** | **350** | **846** | **889** | **13,001** |
| **Category III** | **0** | **0** | **0** | **0** |
| **Grand Total** | **652** | **1,264** | **1,186** | **20,029** |

**Notes:** All figures are cumulative net investments.

## 5.3 PORTFOLIO MANAGERS

As a part of its ongoing efforts to promote ease of doing business and enhance transparency in the PMS ecosystem, several policy measures were introduced during 2025-26 as well. The measures reflect SEBI's continued commitment to strengthen regulatory frameworks while facilitating operational flexibility and investor protection in the PMS space.

### 5.3.1 Policy Developments

A. **Master Circular for Portfolio Managers:** For effective regulation of Portfolio Managers, SEBI has been issuing various circulars from time to time. In order to enable the stakeholders to have an access to all the applicable requirements at one place, the provisions of the said circulars issued till March 31, 2025 are incorporated in the Master Circular for Portfolio Managers dated July 16, 2025.

B. **Transfer of portfolios of clients:** For the purpose of simplification and ease of doing business, transfer of PMS business from one portfolio manager to another has been allowed after obtaining prior approval from SEBI.

C. **Format of 'Disclosure Document':** Under the ease of doing business initiatives, in consultation with the Association of Portfolio Managers of India (APMI), the disclosure document has been restructured into two separate parts viz. dynamic and static. The dynamic section would include the content that undergoes frequent changes whereas, the static section would include disclosures that do not change frequently. The updated disclosure document page(s) in which changes are carried out shall be simultaneously communicated to the clients, updated on the website of the portfolio manager and filed with the Board within 7 working days from the date of change.

### 5.3.2 Market Activity and Trends Observed

The year 2025-26 witnessed a rise of 6.8 per cent in the total number of registered portfolio managers from 472 in 2024-25 to 504 in 2025-26 (**Table 5.19**).

The total number of clients managed by portfolio managers grew by 8.2 per cent in 2025-26, rising to 2,15,712. This growth was distributed across several service categories: discretionary clients increased by 7.9 per cent, non-discretionary by 15.3 per cent, and co-investment clients saw a dramatic surge of 132.3 per cent. In contrast, the advisory category experienced a significant decline, with client numbers falling by 27.4 per cent during the same period (**Table 5.20**).

**Table 5.19: Registered Portfolio Managers**

| Type of Intermediary | Registered as on March 31, 2025 | New Registrations during 2025-26 | Cancellation/ Surrender during 2025-26 | Registered as on March 31, 2026 |
|---|---|---|---|---|
| **Portfolio Managers** | 472 | 49 | 17 | 504 |

**Table 5.20: Assets Managed by Portfolio Managers**

| Year Ended | No. of Clients | | | | | AUM (₹ crore) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Discre-tionary | Non-Discre-tionary | Advisory | Coinvest-ment | Total | Discretion-ary (EPFO/ PFs) | Discretion-ary (Non EPFO/PFs) | Non-Dis-cretionary | Advisory | Coinvest-ment | Total |
| 2024-25 | 1,91,099 | 6,396 | 1,355 | 529 | **1,99,379** | 27,47,827 | 4,29,386 | 3,03,090 | 2,96,010 | 3,785 | 37,80,099 |
| 2025-26 | 2,06,124 | 7,375 | 984 | 1,229 | 2,15,712 | 30,09,935 | 5,00,299 | 3,19,639 | 3,05,562 | 6,283 | 41,41,718 |

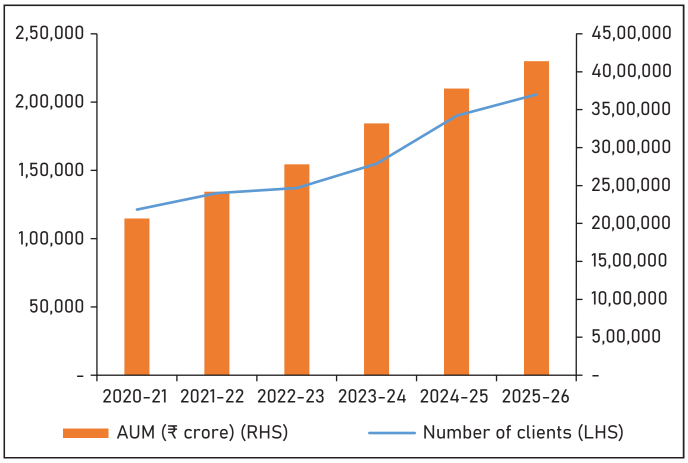
**Table 5.21: Total Fund Inflows/Outflows under Portfolio Management Services**

| Year | Discretionary (₹crore) | | | Non-Discretionary (₹crore) | | |
|---|---|---|---|---|---|---|
| | Inflow | Outflow | Net Inflow (+ve)/ Outflow(-ve) | Inflow | Outflow | Net Inflow (+ve)/ Outflow(-ve) |
| 2024-25 | 4,05,322 | 1,65,947 | 2,39,375 | 76,577 | 65,829 | 10,748 |
| 2025-26 | 3,20,326 | 1,53,578 | 1,66,748 | 1,10,189 | 1,08,563 | 1,626 |

The total AUM of the portfolio management industry grew by 9.6 per cent in 2025-26, rising from ₹37.8 lakh crore to ₹41.4 lakh crore. This expansion was primarily fuelled by the discretionary portfolio segment; specifically, AUM within the discretionary (EPFO/PFs) category increased by 9.5 per cent, while the discretionary (non-EPFO/PFs) category saw a more robust growth of 16.5 per cent **(Chart 5.5)**.

During 2025-26, both the discretionary portfolio management category and the non-discretionary portfolio management category registered net inflows of ₹1,66,748 crore and ₹1,626 crore, respectively (**Table 5.21**).

**Chart 5.5: Trend in AUM and Clients in PMS**




## 5.4 COLLECTIVE INVESTMENT SCHEMES

As on March 31, 2026, there is no collective investment management company registered with SEBI.

## 5.5 REAL ESTATE INVESTMENT TRUSTS AND INFRASTRUCTURE INVESTMENT TRUSTS

REITs and InvITs serve as specialized, trust-based investment vehicles designed to democratize access to large-scale real assets. Operating similarly to mutual funds, these instruments pool capital from institutional and retail investors to acquire, manage, and operate yield-generating commercial properties and critical infrastructure networks—such as corporate offices, highways, and renewable energy grids. By turning illiquid physical assets into tradable, exchange-listed units, they allow investors to capture stable rental yields and long-term capital gains without the hurdles of direct property management or heavy upfront capital requirements. Recognizing their role in bridging the gap between national infrastructure development and private capital, SEBI has implemented several measures to scale up this ecosystem.

### 5.5.1 Policy Developments

A. **Reclassification of REITs as Equity:** Considering the characteristics of REITs are more inclined towards equity i.e. relatively more liquid and to ensure alignment with global practices, REITs are re-classified as equity instruments for the purpose of investment in mutual funds including SIFs with effect from January 01, 2026.

Pursuant to the re-classification, investment by mutual funds in REITs shall be considered within the investment allocation limit for equity instruments and also makes them eligible for inclusion in equity indices, thereby enabling enhanced investment by mutual fund schemes in REITs. Further, as a result of equity classification of REITs, the existing investment limit applicable for both REITs and InvITs would now be exclusively available for InvITs, thereby facilitating growth in this segment also.

B. **Expanding the Scope of Strategic Investor:** Vide gazette notification dated December 11, 2025, the inclusion of following additional entities under 'Strategic Investor' is facilitated:

i. All QIBs which, inter-alia, include public financial institutions, provident funds and PFRDA registered pension funds with minimum corpus of ₹25 crore, AIFs, state industrial development corporations etc.;

ii. Family trust and intermediaries registered with Board, all with a net-worth of more than ₹500 crore; and

iii. Middle layer, upper layer and top layer NBFCs registered with RBI

Broadening of the Strategic Investor definition effectively deepens the potential investor base for public offerings, promoting ease of doing business for REITs and InvITs to attract capital from more investors under the strategic investor category.

C. **Holding Investment in SPVs Post-Concession Agreement:** As per the InvIT Regulations, at least 90 per cent of the assets of the Special Purpose Vehicle (SPV) shall be invested directly in infrastructure projects. When a concession agreement expires or is terminated, the SPV no longer holds an active infrastructure project, technically violating this requirement. However, these SPVs often have pending statutory, contractual, or tax obligations that must be settled before the entity can be dissolved or divested. InvITs have been permitted to continue holding these SPVs as permissible investments within the 20 per cent investment limit subject to:

i. The InvIT must exit the SPV or acquire a new infrastructure project within one year of the agreement's end, the resolution of all legal/tax claims, or the end of the defect liability period whichever is later. The time taken to obtain regulatory approvals for the exit is excluded from this one-year period.

ii. Mandatory disclosures w.r.t. such SPVs including assets and liabilities, contingent liabilities, repayment schedule of outstanding debt, material litigation, and exit strategy in the InvITs annual report.

The above amendment facilitates InvITs to fulfil their closing obligations without being in regulatory breach, ensuring ease of doing business w.r.t. wind-down of SPVs for completed projects.

D. **Expanding Permitted Liquid Mutual Fund Investments:** REITs/InvITs investment criteria in liquid mutual funds have been broadened to include schemes with a credit risk value of at least 10 and a potential risk class of at least B-1. Expanding the scope of permitted investments in units of liquid mutual fund schemes provides additional investment options for REITs and InvITs in the form of debt securities rated AA and above while still maintaining low to moderate credit risk and also mitigating concentration risk.

E. **Alignment of investment conditions for Privately Listed InvIT in Greenfield Projects:** Privately listed InvITs have been permitted to invest up to 10 per cent of their asset value in greenfield projects, matching the limit for publicly listed InvITs. This amendment creates a level playing field and allows privately listed InvITs to participate in the early-stage growth and development of infrastructure assets, potentially enhancing long-term returns and facilitating ease of doing business.

F. **Expanding the scope of permitted use of fresh borrowings:** For InvITs with leverage exceeding 49 per cent, the permitted use of fresh borrowings is expanded to include:

i. Capital expenditure and major maintenance expenditure.

ii. Refinance of existing debt which was originally availed for permissible purposes subject to the condition that only the principal portion of debt is refinanced.

G. **Measures towards Ease of Doing Business for REITs and InvITs:** To promote ease of doing, SEBI in consultation with various stakeholders reviewed the extant regulatory provisions for various matters. Accordingly, the following amendments were made to InvIT Regulations and REITs Regulations to streamline governance, enhance risk management and expand investment options, thus attracting broader investor participation:

i. Permitting transfer of locked-in units amongst sponsor and sponsor group for REITs and InvITs

ii. Definition of common infrastructure under REIT Regulations was provided in order to give clarity as to what constitutes common infrastructure

iii. Inclusion of non-executive directors in the nomination and remuneration committee of managers/investment managers of REITs, InvITs and SM REITs

iv. Allowing REITs, SM REIT Schemes and InvITs to deal in interest rate derivatives for hedging

v. Review of conditions for enhanced borrowings beyond 49 per cent by InvITs

vi. Timeline for filling up of vacancy in the office of the Board of Directors of Manager of REIT (including SM REIT)/Investment Manager of InvIT was aligned with LODR Regulations, providing a time period of three months to manager of REIT/ investment manager of InvIT to fill any vacancy on its Board of Directors (other than a vacancy arising due to expiration of the term of office of the director)

vii. Permitting adjustment of negative cash flows at HoldCos against distributions received from SPV for calculating net distributable cash flows; and

viii. Alignment of minimum allotment lot for primary market with the trading lot size of secondary market (i.e. ₹25 lakh) for privately placed InvITs

H. **Ease of Doing Business for Small and Medium REITs:** The following amendments were made to REIT Regulations to enhance the ease of doing business for SM REITs:

i. Standardizing the disclosures in scheme offer document

ii. Public issue process for scheme of SM REIT

iii. Alignment of provisions for SM REITs vis-à-vis REITs

Above amendments, simplifies the public issue process and disclosure requirements, making it easier for smaller real estate projects to access capital markets.

I. **Framework for Conversion of Private Listed InvIT into Public InvIT:** The conversion process of private listed InvIT into public InvIT was streamlined by:

i. Simplifying the minimum contribution rules for sponsors and sponsor groups during the conversion-linked public issue.

ii. Harmonizing the disclosure and offer procedures with those of a Follow-on Public Offer.

J. **Review of Financial Information Disclosures:** SEBI vide circulars dated May 07, 2025 revised Chapter 3 and Chapter 4 of the Master Circular for REITs and InvITs. The chapters dealt with (a) disclosure of financial information in offer document/placement memorandum (b) continuous disclosures and compliances. The standardized reporting formats benefits issuer (i.e. REITs and InvITs) as well as investors (in the form of better informed investment decisions).

K. **Investor Protection for InvITs and REITs:** The following amendments were made to InvIT regulations and REIT Regulations respectively to enhance investor protection for InvITs and REITs:

i. Restricting investment in unlisted equity shares of companies by REITs except for its HoldCos/SPVs

ii. Expanding the roles and responsibilities of trustee for REITs, InvITs and SM REITs and allowing trustees to engage external consultants for a certain period of time for meeting the expanded roles and responsibilities.

L. **Review of Investor Charter for REITs and InvITs:** There was no single document that clearly outlined the rights and responsibilities of investors of the REIT/InvIT. SEBI vide circulars dated June 12, 2025 introduced a formal Investor Charter for REITs and InvITs. The investor charter inter-alia includes:

i. List of services provided to investors and their legal rights.

ii. List of "Do's and Don'ts" to guide prudent investment behavior.

iii. Description of the grievance redressal mechanism and timelines.

### 5.5.2 Market Activity and Trends Observed

As on March 31, 2026, the number of registered InvITs increased to 28 (25 listed) compared to 26 in the previous year. Further, the number of registered REITs remained the same at six, however the count of listed REITs rose to five from four. During the same period, InvITs mobilised ₹21,025 crore, marking a 21.3 per cent decrease from ₹26,715 crore mobilized in 2024-25. Whereas, REITs raised ₹9,300 crore through three issues in 2025-26 (**Table 5.22 and 5.23**).

**Table 5.22: REITs and InvITs**

| Particulars | REITs | | InvITs | | SM REITs | |
|---|---|---|---|---|---|---|
| | 2024-25 | 2025-26 | 2024-25 | 2025-26 | 2024-25 | 2025-26 |
| Number of Registered Trusts at the End of the Period | 6 | 6 | 26 | 28 | 4 | 6 |
| Number of Entities Listed on Stock Exchanges | 4 | 5 | 22 | 25 | 1 | 1 |
| Funds Raised during the year (₹crore) | 4,728 | 9,300 | 26,715 | 21,025 | 353 | 473 |
| Assets under Management (₹crore) | 1,63,298 | 2,38,406 | 6,47,131** | 6,37,290 | 359 | 853 |

**Note:** **Indicates that data is revised.

**Table 5.23: Registration of REITs/InvITs and Median Time for Approval**

| Type | Balance Carry Forward from March 31, 2025 | Application Received (During 2025-26) | Registration Granted (During 2025-26) | Application Rejected/ Returned/ Withdrawn (During 2025-26) | Median Time for processing application (in working days) | Pending as on March 31, 2026 |
|---|---|---|---|---|---|---|
| InvITs | 0 | 3 | 3 | 0 | 33 | 0 |
| REITs | 1 | 0 | 1 | 0 | 90 | 0 |
| SM REITs | 3 | 0 | 3 | 0 | 100 | 0 |