

DRAFT CIRCULAR FOR PUBLIC COMMENTS

Review of Framework for Calculation of Net Distributable Cash Flows for InvITs

1. BACKGROUND:

- 1.1. SEBI vide circular dated December 06, 2023 (consolidated as part of Chapter 3 of Master Circular for Infrastructure Investment Trusts dated July 11, 2025) prescribed a standardized framework for calculation of Net Distributable Cash Flow ('NDCF') for InvITs which *inter-alia* prohibited using borrowed money for distributions to unitholders.
- 1.2. SEBI is in receipt of request from Bharat InvITs Association (BIA) regarding treatment of debt availed by InvITs for incurring major maintenance expenses of road projects while calculating the NDCF.

2. EXTANT REGULATORY PROVISION:

- 2.1. Section F (Para 3.19) titled "Framework for calculation of Net Distributable Cash Flows (NDCFs)" of Chapter 3 of Master Circular for Infrastructure Investment Trusts (InvITs) dated July 11, 2025, *inter-alia* provides the framework for computation of NDCF for SPV/Holdco and InvIT.
- 2.2. Further, Note 6 forming part of the framework for computation of NDCF for SPV/Holdco and InvIT expressly prohibits distribution of cash flows using external debt and reads as below –

" (III.) Notes/ Other Rules:

"

6. Further, it is expressly provided that no Trust or SPVs can distribute any cash flows by obtaining external debt, except to the extent clarified in note 2 and 7 (this will exclude any working capital / OD facilities obtained by Trust/ SPVs as part of Treasury management / working capital purposes as long as they are squared off within the quarter)."

3. REPRESENTATION RECEIVED FROM INDUSTRY ASSOCIATION

- 3.1. Bharat InvIT Association (BIA) has submitted representation to seek changes in the treatment of debt availed by InvITs or its “SPVs”/ “HoldCo” in the road sector for major maintenance (MM) expenses in computation of NDCF.
- 3.2. BIA has submitted following regarding the MM expenses incurred in road sector –
- 3.2.1. MM expenses refer to expenses incurred for maintenance of roads as per the specifications in the concession agreement.
 - 3.2.2. Despite extending life and enhancing quality of the road, MM expenses cannot be capitalized as per the general acceptable accounting principles as it does not generate future economic benefits like extended concession periods or increased toll revenue.
 - 3.2.3. MM expenses are typically funded by debt across the industry.
 - 3.2.4. Since InvITs holding road projects these MM expenses cannot be capitalised under the current NDCF framework, any MM expense incurred by availing debt is mandatorily reduced from the operational cash flow, thereby resulting in reduction in NDCF.
 - 3.2.5. Most InvITs and their investors have considered that MM expenses shall be funded through debt and a shift in approach would significantly increase the weighted average cost of capital (‘WACC’) for SPV acquisitions. This may discourage the developers from monetizing their projects through InvITs.

4. CONSIDERATION OF PROPOSAL

- 4.1. SEBI in December 2023 mandated a standardized framework for calculation of NDCF. The framework, inter-alia, mentions that external debt shall not be used for making distributions. Further, the starting point for NDCF is “Cash flow from operating activities” (‘CFO’) which is computed after deducting all operating expenses including MM expenses.
- 4.2. Major Maintenance expenses are treated as operating expenses (as per the general acceptable accounting principles), although the quantum of such expenses over the

life of the project is generally significant and such expenses are necessary to maintain the life of road asset and to meet the specifications of the concession agreement.

5. PROPOSAL

5.1. Considering the request of industry association and in order to facilitate ease of doing business, it is proposed that payments made for the purpose of MM expense for the Road Projects of InvITs to the extent funded by external debt will be allowed to be factored (added back) for the purpose the NDCF computation subject to the following conditions:

- 5.1.1. Road Project shall mean a project in the 'Roads and bridges' infrastructure sub-sector as mentioned in the notification of the Ministry of Finance dated September 19, 2025 and shall include any amendments or additions made thereto.
- 5.1.2. Major maintenance expense shall mean expenditure incurred on maintenance of road project which is not routine maintenance and is in accordance with the obligations and requirements specified in the concession agreement.
- 5.1.3. Unitholder approval pursuant to Regulation 22(5) of the InvIT Regulations (i.e. approval from unitholders shall be required where votes cast in favour of the resolution shall be at least sixty per cent of total votes cast for the resolution) shall be undertaken before adding back payments made for major maintenance expenses for road projects to the extent funded by external borrowing. Such approval shall be undertaken with respect to each project (whether held at InvIT level or at SPV/HoldCo level) with respect to which the IM proposes to raise debt for major maintenance expenses. Such approval may be taken on a one-time basis (i.e. for the debt required to be availed for the entire project life cycle) or for specific major maintenance expense. Further, any deviations requiring additional debt from the previously approved proposal would require approval from the unitholder, prior to availing the debt.

5.1.4. Further, while taking unitholder approval, the explanatory statement to the notice for convening unitholding meeting shall, inter-alia, disclose the following -

5.1.4.1. Names and details of the projects/SPVs/ Holdcos for which the MM debt is proposed to be raised or is already raised. The MM Debt may be raised at Trust level or SPV/ HoldCo level

5.1.4.2. Category of all expenses which will be considered as MM expenses.

5.1.4.3. Year wise and Project wise estimates of the MM expenses for which debt is raised proposed to be raised which may have to be incurred as per the latest available valuation report

5.1.4.4. Possible Impact on future growth potential of InvIT due to use of debt for MM expenses. The following disclaimer may be considered by the InvITs in this regard:

“MM Debt is similar to loan taken for capital expenditure, however MM expense cannot be capitalized as per accounting principles. MM Debt shall form part of the aggregate borrowing of the InvIT and would result in reduction in the leverage head room available in future years to fund future growth. On the other hand, this will result in higher cash flow available for distribution or other uses since no cash is set aside for Major Maintenance.”

5.1.4.5. Present impact and Future impact on distribution to unitholders (Wherever applicable, the following shall be disclosed –

Impact on cash flows leading up to the year of the MM

- *Considering that no MM reserves are built up, unitholders may get higher distributions in the initial years (i.e. years leading up to the year of MM expenses).*

Impact on Cash flows post availment of MM Loan.

- *The loan is expected to be repaid over period of ____ years and accordingly based on final repayment schedule agreed to with lenders the year-on-year distribution to unitholders could be subdued to this extent.)*

5.1.4.6. What are the other Funding Alternatives in case debt is not available in future for funding MM expenses

(Wherever applicable, it should also be disclosed that in cases if debt is not available in future for funding MM expenses, then the operating cash flows may have to be used for meeting MM expenses and the future distributions to the unitholders may get impacted to that extent).

5.1.4.7. Certificate of statutory auditor shall be obtained certifying that the payments actually made for major maintenance expense is in line with the obligations and the requirements for major maintenance stated under the concession agreements and is funded by external borrowing. The payment of major maintenance expense which is funded by external borrowing, as certified by the statutory auditor of the InvIT, will be allowed to be added back for the purpose of NDCF calculation.

5.1.5. Disclosure of the following shall be made in the Annual/Half Year/Quarterly Reports –

5.1.5.1. Debt maturity profiles as required under InvIT Regulations shall specifically highlight debt taken for MM expenses.

5.1.5.2. Net Borrowing Ratio (as provided in SEBI circular dated May 07, 2025 pertaining to the continuous disclosures and compliances by InvIT) provided shall also highlight the amount and percentage of debt taken for MM expenses.

5.1.5.3. The notes to NDCF statement shall disclose the following for each project / SPV / Holco and the InvIT:

(i) Aggregate amount of debt raised in the concerned period for meeting MM expenses

(ii) Aggregate amount of MM debt outstanding as on the date

5.2. The Proposals made at Para 5.1 are based on the inputs received from BIA and recommendations of the Hybrid Securities Advisory Committee (“HYSAC”).

5.3. The Draft Circular in this regard is placed at [Annexure A](#).

Consultation: Review of Framework for Calculation of Net Distributable Cash Flows for

InvITs

Kindly provide your comments along with supporting rationale on the following:

- 1) Whether the payments made for the purpose of MM expense for the Road projects of InvITs to the extent funded by external borrowing shall be allowed to be added back for the purpose the NDCF computation?
- 2) Whether the safeguards and disclosure requirements proposed in Para 5.1 of the consultation paper are adequate and appropriate?

6. Public comments

6.1. Public comments are invited on the Draft Circular titled “Review of Framework for calculation of NDCF – Treatment of debt availed by InvIT for expenses incurred as major maintenance (For InvITs)”.

6.2. The comments / suggestions should be submitted by latest by June 22, 2026, through the online web-based form which can be accessed using the following link:

[Click here](#)

6.3. Kindly go through the instructions mentioned on the above link before submitting comments on the Draft Circular.

6.4. In case of any technical issue in submitting your comment(s) through the web based public comments form, you may contact Shri Mohit Agarwal, Manager (mohita@sebi.gov.in) through email with the subject “Review of Framework for Calculation of Net Distributable Cash Flows for InvITs”.

Issued on: June 01, 2026

Annexure – A

DRAFT CIRCULAR

SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2026/_____

XXXX XX, 2026

To,

Bharat InvITs Association

All Infrastructure Investment Trusts (InvITs)

All Parties to InvITs

All Recognised Stock Exchanges

All Registered Depositories

Madam / Sir,

Subject: Review of Framework for Calculation of Net Distributable Cash Flows

1. Section F (Para 3.19) titled “Framework for calculation of Net Distributable Cash Flows (NDCF)” of Chapter 3 of Master Circular for Infrastructure Investment Trusts (InvITs) dated July 11, 2025, *inter-alia* provides the “*Framework for computation of NDCF for SPV/Holdco and InvIT*”.
2. SEBI is in receipt of request from industry association to review the aforementioned framework for computation of NDCF, to allow addition of debt funded major maintenance expenses for the purpose of calculation of NDCF. Based on the same and recommendations of the Hybrid Securities Advisory Committee (“HySAC”) and public consultation pursuant to the same, the following changes are made in Section F (Para 3.19) titled “Framework for calculation of Net Distributable Cash Flows (NDCF)” of Chapter 3 of Master Circular for InvITs:

2.1. Under Para 3.19 of Chapter 3 of Master Circular for Infrastructure Investment Trusts dated July 11, 2025, in Table S.No. (I.) titled 'Computation of Net Distributable Cash Flow at HoldCo/SPV Level', a new line item shall be added to allow add back of payments made towards major maintenance expense for road projects to the extent funded by external debt. Accordingly, the framework for computation of NDCF at HoldCo/SPV level as provided in the Master circular shall change as follows (insertion highlighted in red color):

“

(I.) Computation of Net Distributable Cash Flow at HoldCo/ SPV level:

Particulars
Cash flow from operating activities as per Cash Flow Statement of HoldCo/ SPV
(+)..
(+)..
(+) Proceeds from sale of infrastructure investments, infrastructure assets or sale of shares of SPVs or Investment Entity not distributed pursuant to an earlier plan to re-invest as per Regulation 18(7) of InvIT Regulations or any other relevant provisions of the InvIT Regulations, if such proceeds are not intended to be invested subsequently
<u>(+) Payments made towards major maintenance expense for road projects to the extent funded by external borrowing subject to Note 12 below</u>
(-).....
(-).....
NDCF for HoldCo/SPV's

.....”

2.2. Under Para 3.19 of Chapter 3 of Master Circular for Infrastructure Investment Trusts dated July 11, 2025, in Table S.No. (II.) titled 'Computation of Net Distributable Cash Flow at Trust Level', a new line item shall be added to allow add back of payments made towards major maintenance expense for road projects to the extent funded by external debt. Accordingly, the for computation of NDCF at Trust level as provided in the Master circular shall change as follows (insertion highlighted in red color):

(II.) Computation of Net Distributable Cash Flow at Trust level:

Particulars

Particulars
Cashflows from operating activities of the Trust
(+)..
(+)..
(+) Proceeds from sale of infrastructure investments, infrastructure assets or sale of shares of SPVs/Hold Co or Investment Entity not distributed pursuant to an earlier plan to re-invest as per Regulation 18(7) of InvIT Regulations or any other relevant provisions of the InvIT Regulations, if such proceeds are not intended to be invested subsequently.....
<u>(+) Payments made towards major maintenance expense for road projects to the extent funded by external borrowing subject to Note 12 below</u>
(-).....
(-).....
NDCF at Trust Level

.....”

2.3. Under Para 3.19 of Chapter 3 of Master Circular for Infrastructure Investment Trusts dated July 11, 2025, in S. No. (III.) titled ‘Notes/ Other Rules’, Note No. 6 shall be substituted with the following –

(III.) Notes/Other Rules

“

6. Further, it is expressly provided that no Trust or SPVs can distribute any cash flows by obtaining external debt, except to the extent clarified in note 2, 7 and 12 (this will exclude any working capital / OD facilities obtained by Trust/ SPVs as part of Treasury management / working capital purposes as long as they are squared off within the quarter).”

2.4. Under Para 3.19 of Chapter 3 of Master Circular for Infrastructure Investment Trusts dated July 11, 2025, in S. No. (III.) titled ‘Notes/ Other Rules’, following shall be added as Note No. 12 -

(III.) Notes/Other Rules

.....

11.....

12. Any payments made towards major maintenance expense for road projects to the extent funded by external debt shall be added back subject to the following conditions –

- (i) Road Project shall mean a project in the ‘Roads and bridges’ infrastructure sub-sector as mentioned in the notification of the Ministry of Finance dated September 19, 2025 and shall include any amendments or additions made thereto.
- (ii) Major maintenance expense shall mean expenditure incurred on maintenance of road project which is not routine maintenance and is in accordance with the obligations and requirements specified in the concession agreement.
- (iii) Unitholder approval pursuant to Regulation 22(5) of the InvIT Regulations (i.e. approval from unitholders shall be required where votes cast in favor of the resolution shall be at least sixty per cent of total votes cast for the resolution) shall be undertaken before adding back payments made for Major maintenance expense for road projects to the extent funded by external borrowing. Such approval shall be undertaken for each Project (whether held at InvIT level or at SPV/HoldCo level) with respect to which the investment manager proposes to raise borrowing for major maintenance payments.
- (iv) Explanatory Statement to the notice for convening such unitholder meeting, inter-alia, shall also disclose the following –
 - a. Names and details of the projects/SPVs/ Holdcos for which the debt for Major Maintenance expense is proposed to be raised or is already raised. The MM borrowing may be raised at Trust level or SPV/ HoldCo level.
 - b. Category of all expenses which will be considered as MM expenses.

c. Year wise and Project wise estimates of the MM expenses for which borrowing is raised proposed to be raised which may have to be incurred as per the latest available valuation report

d. Possible Impact on future growth potential of InvIT due to use of borrowing for MM expenses. The following disclaimer may be considered by the InvITs in this regard:

"MM Debt is similar to loan taken for capital expenditure, however MM expense cannot be capitalized as per accounting principles. MM Debt shall form part of the aggregate borrowing of the InvIT and would result in reduction in the leverage head room available in future years to fund future growth. On the other hand, this will result in higher cash flow available for distribution or other uses since no cash is set aside for Major Maintenance."

e. Present impact and Future impact on distribution to unitholders (Wherever applicable, the following shall be disclosed -

Impact on cash flows leading up to the year of the MM

o Considering that no MM reserves are built up, unitholders may get higher distributions in the initial years (i.e. years leading up to the year of MM expenses).

Impact on Cash flows post avilment of MM Loan.

o The loan is expected to be repaid over period of ____ years and accordingly based on final repayment schedule agreed to with lenders the year-on-year distribution to unitholders could be subdued to this extent.)

f. What are the other Funding Alternatives in case debt is not available in future for funding MM expenses

(Wherever applicable, it should also be disclosed that in cases if debt is not available in future for funding MM expenses, then the operating cash flows may have to be used for meeting MM

expenses and the future distributions to the unitholders may get impacted to that extent).

- (v) It is clarified that the aforesaid approval from unitholders may be taken on a one-time basis (i.e. for the debt already availed or proposed to be availed for the entire project life cycle) or for specific major maintenance expense. Further, any deviations requiring additional debt from the previously approved proposal would require approval from the unitholder, prior to availing the debt.*
- (vi) Certificate of statutory auditor shall be obtained certifying that the payments actually made for major maintenance expense is in line with the obligations and the requirements for major maintenance stated under the concession agreements and is funded by external borrowing. The payment of major maintenance expense which is funded by external borrowing, as certified by the statutory auditor of the InvIT will be allowed to be added back for the purpose of NDCF calculation.*
- (vii) Disclosure of the following shall be made as part of financial results and Annual, Half yearly, Quarterly Report of the InvIT as applicable –*
- a. Net Borrowing Ratio, provided under chapter 4 shall also segregate the amount and percentage of borrowing taken for MM expenses.*
 - b. The notes to NDCF statement shall disclose the following for each project / SPV / Holco and the InvIT:*
 - Aggregate amount of borrowing raised in the concerned period for meeting Major Maintenance expenses*
 - Aggregate amount of Major Maintenance expenses outstanding as on the date*
- (viii) Disclosure of the following shall be made in Annual, Half yearly, Quarterly Report of the InvIT, as applicable –*

a. Debt maturity profiles as required under InvIT Regulations shall specifically segregate and highlight borrowing taken for Major Maintenance expenses.”

3. This circular shall come into force with immediate effect.
4. This circular is being issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 and Regulation 33 of the SEBI (Infrastructure Investment Trusts) Regulations, 2014. This circular is issued with the approval of the competent authority.
5. The recognized Stock Exchanges are advised to disseminate the contents of this Circular on their website.
6. This Circular is available on the website of the Securities and Exchange Board of India at www.sebi.gov.in under the category “Legal” and under the drop down “Circulars”.