



Revamped Lending Framework for REITs and InvITs

On June 10, 2026, the Reserve Bank of India (“**RBI**”) removed the restriction on bank lending to Real Estate Investment Trusts (“**REITs**”) and substantially revised the existing provisions governing lending to Infrastructure Investment Trusts (“**InvITs**”). These directions follow the draft amendments released by RBI on February 13, 2026, which can be accessed [here](#). The full text of the directions can be accessed [here](#).

Key amendments and what they mean for REITs and InvITs

REITs to get access to banks’ funds

The existing prohibition on banks lending to REITs has been lifted. This means REITs now have access to a significant new source of debt funding from commercial banks, expanding their financing options beyond capital markets.

Eligibility Requirements

- To be eligible for bank lending, a REIT must be SEBI-registered, listed, and at least 80% of its underlying assets should have generated positive cash flows for at least one year (immediately preceding). This is a significant relaxation from the draft rules (which required three years of operations). Consequently, relatively newer REITs can now access bank credit.
- Banks must ensure that lending to a REIT is not used to fund its special purpose vehicles (“**SPVs**”) which have existing loans from regulated entities and are facing financial difficulty.

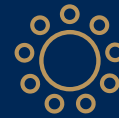
Acquisition Finance

- Bank finance can now be used by REITs and InvITs to acquire SPVs. Such lending is subject to the bank acquisition finance framework issued by RBI¹.
- However, REITs and InvITs have been granted key exemptions: (a) REITs and InvITs are not required to be non-financial companies; (b) REITs and InvITs are not required to have reported net profit after tax in each of the previous three consecutive financial years; and (c) the requirements relating to 25% own funds, mandatory corporate guarantee by promoter entity, debt to equity ratio of 3:1 and prohibition on related party acquisition do not apply.
- A foreign owned or controlled REIT and InvIT will still have to ensure compliance with Foreign Direct Investment policy restrictions on downstream investments.

Lending Conditions for REITs

- Amortization
 - Loans with bullet or ballooning principal repayments are not permitted so as to ensure that principal payments are not back-ended. However, this restriction does not preclude structuring repayment in line with projected cash flows, and is not applicable to exposures through the bank’s investment portfolio in the form of bonds, debentures and commercial paper. This means that the REITs will need to ensure amortizing loan facilities with banks, though they retain flexibility to raise bullet repayment instruments through bonds, debentures and commercial paper.
 - Lending for refinancing of existing credit facilities of SPVs is permitted only in respect of completed projects that have received a completion certificate, occupancy certificate or their equivalent. This limits the ability of REITs to use bank credit to refinance construction-stage or under-development project debt at the SPV level.
- Leverage Limits
 - Overall leverage of the borrowing REIT must remain within SEBI’s prudential ceiling (which is currently 49% of REIT’s asset value), or such lower limit as decided by the bank.
- Aggregate Exposure
 - Aggregate exposure of all banks to a borrowing REIT, together with its underlying SPVs and holding companies, must not exceed 49% of the value of the REIT’s assets, or such lower limit as decided by the bank’s board. As a result, REITs will need to maintain a balanced capital structure and cannot rely on bank debt beyond this threshold.
- Security Coverage
 - Bank financing to a REIT must be fully secured by, *inter alia*, charge over the underlying immovable property, assignment of rental cash flows and receivables, pledge of equity interests held by the REIT in the relevant SPV.

¹ Chapter XI (Acquisition Finance) of the Reserve Bank of India (Commercial Banks – Credit Facilities) Directions, 2025



Update

- Where a charge is created over immovable property, it must be in the nature of an exclusive first charge, or a first *pari passu* charge where multiple lenders are involved, governed by an inter-creditor agreement. Thus, REITs must ensure clear title and the ability to create first-ranking charges at the property level before approaching banks, as this will be a threshold requirement for any bank financing.
- A charge over immovable property is mandatory where financing is extended for acquisition or development of a property or refinancing of debt incurred in connection with such purpose, construed on a look-through basis, including indirect acquisition through purchase of SPV equity.

Revised Framework for Lending to InvITs

While bank lending to InvITs was allowed, the revised framework includes additional requirements. Eligibility requirements, lending conditions and acquisition finance framework for InvITs largely mirror those for REITs.

Certain InvIT specific requirements are listed below:

- New eligibility requirements have been introduced
 - The eligibility requirements provide that a bank may lend only to an InvIT which is listed. In all cases, not less than 80% of the value of InvIT assets must be invested in completed and revenue generating infrastructure projects², and such assets must have been generating net positive cashflows from operations for not less than one year. Previously, there were no such requirements.
- Refinancing
 - Like REITs, bank lending to InvITs for refinancing of existing credit facilities of SPVs is permitted only in respect of completed projects. This is a new restriction and was not there in the previous directions.
- Security Coverage
 - The security coverage requirements additionally include mitigation of risk for InvIT lenders in case of early termination of the underlying project, such as step-in rights for lenders and minimum termination payments.
 - Unlike REITs, InvITs are not required to create a mandatory charge over immovable property for acquisition or development financing.

Effective Date and Transition

These directions come into force from October 01, 2026, or such earlier date as may be adopted by a bank. Banks are permitted to allow existing InvIT loans which are not in conformity with these amendments to continue until maturity. However, banks shall not review, renew or enhance such loans/limits after their expiry, even if renewal is contractually provided, unless they are in compliance with the new requirements.

2 The term 'completed and revenue generating project' shall have the same meaning as assigned under the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, as amended from time to time.

Please feel free to address any further questions or request for advice to:



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