

Private credit in India

H1 2025 update



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Executive summary

India entered 2025 with renewed economic resilience, as easing global inflation, softening crude prices, and a supportive monetary cycle helped cushion external volatility. The FY25 real GDP grew at 6.5%, powered by resilient services and robust fiscal spending, even as industrial output and external trade lagged. With CPI inflation falling to 2.8% by May, its lowest in six years, the Reserve Bank of India (RBI) began a cautious rate-cutting cycle, shifting to a neutral stance.

Against this backdrop, India's private credit market witnessed a sharp spike in deal value in H1 2025, driven, to a large extent, by one record-breaking transaction. While total deployment touched US\$9.0 billion across 79 deals – a 53% jump from H1 2024 and close to 3x of H2 2024 levels – the surge was largely attributable to the US\$3.1 billion raised by Porteast Investment (Shapoorji Pallonji Group), the largest onshore private credit deal ever in India. The above figures do not include deals worth less than US\$10 million, deals concluded solely by foreign banks and offshore credit raises, which would significantly enhance the size of the market.

Excluding the outlier, private credit deal activity in H1 2025 reflected a more measured, yet meaningful, upward move – driven by shifts in the broader credit landscape. While overall credit deployment by banks slowed due to heightened risk sensitivity and tighter underwriting in capital-intensive sectors, going forward, NBFCs are likely to benefit from the RBI's recent reduction in risk

weights, allowing them to maintain strong lending momentum, especially in retail and SME-focused segments. However, large borrowers in infrastructure, real estate, and special situations continued to face funding gaps. This void, combined with stabilizing interest rate expectations and improved macro confidence, fueled sustained demand for bespoke private credit solutions. As a result, institutional investors stepped in to underwrite complex, large-ticket transactions – reinforcing private credit's positioning as a structurally complementary capital source amid shifting credit dynamics.

Infrastructure led private credit activity in H1 2025, followed by real estate and healthcare. Appetite for scale held steady, with deals over US\$100 million comprising 18% of deal volume, mirroring CY24 levels, and underscoring sustained demand for structured capital solutions. Nearly 17% of the capital raised by borrowers in H1 2025 was deployed towards forward-looking initiatives, including growth capital, capacity expansion, and strategic acquisitions of companies, equity stakes, or land, underscoring a measured return in business confidence and long-term planning amid a still-selective lending environment. Global capital remained the primary driver of India's private credit inflows in H1 2025, contributing the majority of capital despite lower deal participation. This realigned with the three-year trend, where global funds have accounted for nearly 55% of total deployments. This marks a reversion from H2 2024, when Indian funds temporarily led the



capital share. The realignment reflects a return to strategic segmentation, with global players anchoring large-structured transactions, and domestic credit funds targeting mid-market growth and opportunistic special situations.

Credit growth moderated in H1 2025, with lending from Scheduled Commercial Banks (SCBs) expanding at 11% YoY and the credit impulse turning mildly negative amid elevated risk aversion and delayed transmission of monetary easing. The RBI's rollback of risk weights and cuts in Cash Reserve Ratio (CRR) have eased systemic liquidity constraints, but demand recovery has been uneven though robust in MSMEs and services, while muted in unsecured retail and large corporates. The lending growth to the large corporate industries has gradually moved up by ~6% in the past two years while lending to the MSME sector has been robust compared to pre-COVID levels. The public sector NBFCs continued to anchor wholesale credit growth, however, this period also saw a modest uptick in private NBFC lending, indicating broader participation. The total deployment of mutual funds in corporate debt increased by 19% from FY24 to FY25.

The June 2025 Financial Stability Report (FSR) underscores the system's strong capital buffers and improving asset quality, while also noting pockets of vulnerability in unsecured retail and microfinance. Overall, the credit ecosystem remains fundamentally resilient, with private credit playing an increasingly complementary role

in bridging funding gaps and catering to bespoke capital needs.

While near-term macro and credit risks have eased, sustaining momentum will depend on timely monetary transmission, a revival in private capex, and continued fiscal prudence amid external imbalances.

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01

**Macroeconomic
outlook**

The first half of 2025 marked a phase of cautious optimism for the global economy, underpinned by moderating inflation, falling crude prices, and continued monetary policy recalibration across key economies. India, while navigating the global headwinds, maintained its relative macroeconomic resilience. However, high-frequency indicators point to a more nuanced growth trajectory – one supported by robust services and fiscal prudence but constrained by muted industrial output, weakening credit growth, and external uncertainties.

Global overview: Mixed signals amid disinflation and policy normalization

Global growth expectations have moderated marginally through H1 2025, with the IMF and OECD revising their 2025 growth projections to 2.8% and 3.1%, respectively. The UN has offered a more conservative outlook at 2.4%. These adjustments reflect persistent geopolitical tensions, trade frictions, notably escalated US tariffs, and the deflationary impact of tighter credit in advanced economies. The World Bank's June 2025 update places Brent crude prices at an average of US\$62–65/bbl, for the year, following sharp declines in May amid subdued global demand and increased OPEC+ supply.

On the inflation front, headline inflation has moderated across major economies, enabling central banks to pivot cautiously. In India's context, this global disinflationary environment provided tailwinds to domestic monetary policy easing, supporting growth momentum.

Domestic growth: Resilient yet uneven recovery

India's GDP growth for FY25 stood at 6.5%, led by an impressive 7.4% expansion in Q4FY25, marking the strongest quarter since the previous fiscal. The second advance estimates by the Ministry of Statistics and Programme Implementation (MoSPI) also project real GDP growth for FY25 at 6.5%, with implicit expectations of ~6.3–6.5% for FY26, supported by a stable inflation trajectory and robust fiscal spending in early FY26.

High-frequency indicators, however, reveal a patchy recovery. The Manufacturing PMI remained strong throughout H1 2025, reaching an 8-month high of 58.1 in March and touching 58.2 in April, before easing marginally to 57.6 in May. The Services PMI held firmly above 58, indicating robust activity in the services sector, reaching 58.8 in May, its highest since mid-2023.

Yet, the Index of Industrial Production (IIP) highlighted softer underlying demand. IIP growth slipped to a six-month low of 2.7% in April, following 3.0% in March and a high of 5.0% in January. For the full year FY25, IIP growth averaged 4.0%, down from 5.9% in FY24, underscoring the need for more broad-based industrial recovery.

Inflation and Monetary Policy: Creating space for credit-led recovery¹

India saw a significant softening of inflationary pressures in H1 2025. CPI inflation fell steadily from 4.3% in January 2025 to 2.8% in May 2025, its lowest in over six years. This decline was largely driven by lower vegetable and food prices. Core CPI inflation remained anchored in the 3.7%–4.4% range, indicating limited spillovers from food disinflation to broader prices.

WPI inflation turned negative in June 2025 at -0.13%, down from 0.39% in May, its first deflationary print this year. The decline was led by falling prices in food articles, fuel and power, and basic metals. The overall WPI index dropped to 153.8 in June from 154.1 in May, reflecting continued softening in producer level prices.

In response to this benign inflation environment, the Monetary Policy Committee (MPC) initiated a rate-cutting cycle for the first time since May 2020. The repo rate was reduced by 25 basis points each in February and April, and a further 50 bps in June bringing it down to 5.5%, accompanied by a shift in policy stance to 'neutral'.

¹ IMF World Economic Outlook, April 2025; OECD Economic Outlook, May 2025; United Nations World Economic Situation and Prospects, April 2025;

World Bank Commodity Markets Outlook, June 2025; Ministry of Statistics and Programme Implementation (MoSPI), Q4 FY25 GDP Data Release, May 2025; IHS Markit PMI Reports, January–June 2025; Office of the Economic Adviser, Ministry of Commerce and Industry (WPI Data), May 2025; Reserve Bank of India Monetary Policy Reports, February & April 2025; RBI Sectoral Deployment of Bank Credit, April 2025; Controller General of Accounts, Union Government Accounts April 2025.

Ministry of Finance, Union Budget FY25 & FY26 Data; DGCI&S, Ministry of Commerce (Trade Statistics), May 2025.

NSDL and RBI Bulletin, Capital Flows Dashboard, June 2025; World Bank India Country Update, June 2025.

Department for Promotion of Industry and Internal Trade (DPIIT), FDI Statistics, April–May 2025; Ministry of Defence, Annual Production Report FY25 Interim Update, May 2025; European Commission & Department of Commerce, India-EU Trade Treaty Announcement, March 2025.

RBI Exchange Rate Database, May 2025; BSE/NSE Market Reports and SEBI Primary Market Review, H1 2025.

Credit and banking: Growth slows amid risk reassessment

Growth in gross bank credit moderated consistently through H1 2025, reflecting both tighter risk underwriting and softer demand, with the full-year FY25 average growth at 11%, down from 20.2% in FY24.

While lower interest rates are likely to revive credit demand gradually, the moderation in bank lending could reflect early signs of balance sheet conservatism and re-evaluation of sectoral exposures, particularly in the backdrop of industrial slowdown and global capital flow volatility. That said, the rollback of risk weights and deferment of Liquidity Coverage Ratio (LCR) should ease capital strain and revive NBFC-linked credit flow in FY26.

The June CRR cut and aggressive repo easing are already translating into lower lending rates, especially for rate-sensitive segments like housing, gold loans, and MSME credit – where banks have passed on 10–50 bps rate reductions. However, credit demand remains uneven, with large corporates still relying on capital markets, suggesting early signs of divergence in transmission. Retail and SME lending are expected to benefit more meaningfully as liquidity flows realign toward these segments.

Fiscal trends: Disciplined spending and strong revenue collection

India's fiscal position exhibited commendable discipline in H1 2025. The FY25 fiscal deficit was contained at 4.8% of GDP, in line with revised estimates. The revenue deficit also improved to 1.7%, better than the earlier projection of 1.9%.

Gross tax revenues grew by 9.5% in FY25, led by a 12.9% increase in direct taxes, while indirect tax collections moderated to 4.2% growth. Meanwhile, government expenditure growth was subdued at 4.8%, reflecting cautious deployment, though capital expenditure rose by 10.8% in FY25, and by 61% MoM in April 2025, signaling a renewed capex push at the start of FY26.²

Ahead of the August 2025 GST Council meet, expectations of structural rate rationalization have resurfaced, with discussions around merging the 12% and 18% slabs and reducing total brackets. Proposals to lower GST on health and life insurance may also be considered. These moves aim to simplify compliance, boost consumption, and create a more stable indirect

tax regime – positive for long-term credit growth and underwriting clarity.

The 2025 Union Budget's personal income tax cuts reflect a bold, demand-side push to reignite consumption-led growth in a sluggish macro environment marked by low IIP and continuing global uncertainty. By targeting the middle class – India's fastest-growing consumer base – and simplifying tax compliance through the new regime, the government is not just handing out tax relief but strategically unlocking annual consumer spending potential. While the revenue hit may raise fiscal concerns, the anticipated GDP uplift signals a calculated trade-off, i.e., short-term revenue sacrifice for medium-term growth momentum, setting the stage for a more consumption-driven economic cycle.

The Union government's capital expenditure rose to 20% of the budget estimate in April-May FY26, compared to 13% in the same period last year. If sustained, this front-loaded capital expenditure could become a critical driver of growth revival in H2 FY26, especially if coupled with supportive private investment activity.

External sector: Trade imbalances and volatile capital flows

The external sector presented a mixed picture in H1 2025. Merchandise trade deficit widened to US\$26.4 billion in April 2025, its highest in six months, before easing to US\$21.9 billion in May. The widening was driven by a surge in imports, especially gold and oil. Export performance was volatile, with (-)10.9% contraction in February, a brief recovery in March, followed again by (-)2.2% contraction in May, due to global trade uncertainties and currency volatility.

On the capital flows side, amid higher outward FDI and reduced repatriation, FDIs turned positive with inflows of US\$3.9 billion in April 2025, more than double of April 2024 levels, after outflows of US\$5.3 billion in February 2025 and US\$1.1 billion in March 2025.³ Key outward sectors included utilities and financial services, with major destinations being Singapore, Mauritius, and Germany. Net FPI flows turned negative with outflows of US\$6.5 billion in H1 2025, following US\$8.8 billion in inflows in H2 2024.⁴ With global risk-off sentiment and stronger US yields persisting through May and June, foreign investment flows have continued to show signs of volatility, raising the likelihood of uneven capital movement into Q2 FY26.

² RBI State of the Economy Report June 2025

³ RBI State of the Economy Report June 2025

⁴ <https://www.fpi.nsdil.co.in/Reports/Yearwise.aspx?RptType=6>



As of 27 June 2025, India's foreign exchange reserves, managed by the RBI, stood at US\$702.78 billion, reflecting a decline of US\$2.11 billion from the all-time high of US\$704.89 billion recorded on 27 September 2024.

This decline was primarily driven by a fall in foreign currency assets (FCA), the largest component of the reserves, which dropped from US\$616.15 billion to US\$594.82 billion – a decrease of US\$21.33 billion or 3.46%. The contraction in FCA may be attributed to active RBI interventions in the foreign exchange market to manage volatility in the Indian Rupee, along with potential valuation losses due to currency movements against the US dollar.

On the other hand, gold reserves registered a sharp rise, increasing from US\$65.80 billion in September 2024 to US\$84.50 billion in June 2025—an uptick of US\$18.71 billion or 28.44%. This surge likely reflects a combination of higher global gold prices, RBI's strategy to diversify reserve holdings, and a shift in safe-haven preference amid geopolitical uncertainty⁵.

The Indian Rupee, while under pressure, showed relative resilience against the US Dollar compared to peer emerging market currencies. This reflects both a healthy macro buffer and an increasing reliance on domestic capital to offset external pullbacks.

Outlook: Managing the next phase of transition

India enters H2 2025 with a cautiously optimistic macroeconomic outlook. Growth for FY26 is projected in the 6.3%-6.5% range, supported by continued policy easing, improving consumption, and front-loaded government capex. Inflation is expected to remain well within the RBI's target band, with the headline CPI inflation forecast for FY2025-26 being revised down by 30 bps to 3.7%. According to RBI, CPI inflation is expected to average 3.8% in 2025-26 and 4.2% in 2026-27.⁶ Markets reflect a measured pause – stabilized large caps, subdued risk appetite, yet record SIP inflows show retail resilience. With earnings recovery and rate easing, H2 CY2025 may trigger renewed traction.

However, while several global risks such as US-China trade tensions and Middle East conflicts remain on the radar, markets appear to have largely priced in their near-term impact. Domestically, the key challenges now lie in sustaining capex momentum, crowding in private investment, and translating policy easing into effective credit transmission.

For India's financial industry, especially credit providers, the first half of 2025 presents a shift from managing inflation and liquidity to navigating slower credit growth and evolving sectoral risks. In this evolving context, private credit players must remain agile, with enhanced focus on borrower quality, sectoral dispersion, and macroeconomic signaling.

A confluence of macro tailwinds is nudging credit growth upward – ranging from falling lending rates, easing inflation, and stable crude prices to fiscal consolidation and resilient GST collections. The government's capex push, improving corporate balance sheets, and recovering rural demand are also lifting borrower sentiment. As confidence builds across households and businesses, liquidity is steadily returning to the real economy.

⁵ RBI report on foreign reserves dated 27 June 2025 and 27 Sept 2024 (<https://www.rbi.org.in/scripts/WSSViewDetail.aspx?PARAM1=2&TYPE=Section>)

⁶ RBI State of the Economy Report June 2025

A hand is holding a smartphone in the foreground. The phone's screen displays a financial dashboard. The dashboard features a line graph at the top with a fluctuating orange line and a bar chart below it with various colored bars (orange, yellow, blue). The background of the entire image is a dark blue, digital-style cityscape with glowing vertical lines and a grid pattern.

02

Analysis of **credit
deployment** and
growth

2.1 Credit deployment by Scheduled Commercial Banks (SCBs)⁷

India's monetary landscape underwent significant shifts in H1 2025 amid global volatility and changing liquidity conditions. Credit deployment by SCBs moderated visibly, with FY25 credit growth decelerating to 11% and the credit impulse⁸ turning negative to (-)11.3%, clearly indicating that the pace of fresh lending has weakened compared to previous periods. Moreover, the Indian financial system experienced a shift in liquidity dynamics, with the banking system moving from surplus liquidity in the first half of FY25 to a deficit in the latter part, before returning to surplus by March 2025.

The RBI took decisive steps from cutting rates to relaxing reserve norms, to keep credit flowing and safeguard financial stability. It reduced the CRR by 50 bps to 4.0% in December 2024 and further, in June 2025, reduced it by 100 bps, bringing it down to 3.0%, to combat the emerging liquidity pressure, arising from tax outflows, increased currency demand, and capital flow volatility. The Monetary Policy Committee began a rate-cut cycle for the first time since May 2020, lowering the repo rate by 25 bps each in February and April, an additional 50bps in June bringing it to 5.5% as of June 2025. Alongside, the policy stance shifted to 'neutral', a move aimed at stimulating credit offtake and improving investor confidence heading into FY26.

In a notable policy move, the RBI has introduced a new regulatory framework for infrastructure lending, effective 1 October 2025, under which, provisioning requirements for loans to under-construction infrastructure projects will be reduced from 5% to

1%.⁹ The move aims to revive credit flows to the infrastructure sector, which contracted 0.8% over the past year. The reduced provisioning reflects a more calibrated regulatory stance, acknowledging the long gestation periods and capital-intensive nature of such projects.

The loan growth slowed during late 2024 and early 2025 after the RBI increased risk weights on certain categories of consumer credits and on bank lending to NBFCs in November 2023. However, effective from 1 April 2025¹⁰, the RBI reversed its FY24 risk-weight hike for NBFC and microfinance exposures – restoring previous capital norms. As per rating agency ICRA¹¹, this policy reversal, alongside liquidity coverage ratio deferment, should relieve capital constraints, enabling banks to scale back lending to higher-risk segments and resume broader credit flow, particularly in consumer finance and NBFC-sourced portfolios, in FY26.

The asset quality of SCBs appears to have improved. The Gross Non-Performing Asset (GNPA) ratio dropped to 2.3% in FY25 from ~2.9% in FY24, and Net NPA (NNPA) moved to 0.5% in FY25 from 0.6% in FY24. However, the write-offs to GNPA ratio rose to 31.8% in FY25, up from 29.5% in FY24 suggesting that part of the asset quality improvement is being driven by aggressive write-offs, especially in unsecured retail books.¹² Agriculture sector continued to record for the highest GNPA ratio, whereas in the industrial sector, asset quality exhibited sustained improvement across all sub-sectors.

⁷ RBI FSR Report June 2025

⁸ Credit impulse measures the change in new credit as a percentage of last year's GDP, indicating credit's impact on economic growth. A positive impulse signals faster credit growth than GDP, while a negative one implies slower or contracting credit.

⁹ <https://www.epcworld.in/rbis-strategic-calibration-a-dual-thrust-to-liquidity-management-and-infrastructure-credit>

¹⁰ <https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT120A97A4D3CBCCE4AEBAAE1B7DB7DCF177D.PDF>

¹¹ [Statement of Mr. Anil Gupta, senior Vice President, ICRA to The Hindu on 25 February](#)

Sectoral deployment of credit analysis (Scheduled Commercial Banks)¹³

Particulars (US\$ billion)	March 2024 (a)	March 2025 (b)	Change (b-a)	Growth rate (%)
Agriculture and Allied Activities (a)	241	266	25	10%
Industry:				
MSME	120	134	14	12%
Large	305	324	19	6%
Sub-total (b)	425	458	33	8%
Services:				
NBFC	180	190	10	6%
Trade ¹	119	138	19	16%
Real Estate	55	62	7	14%
Others ²	180	210	30	17%
Sub-total (c)	534	600	66	12%
Personal loans (d)	620	692	72	12%
Total (a+b+c+d)	1,819	2,016	197	11%

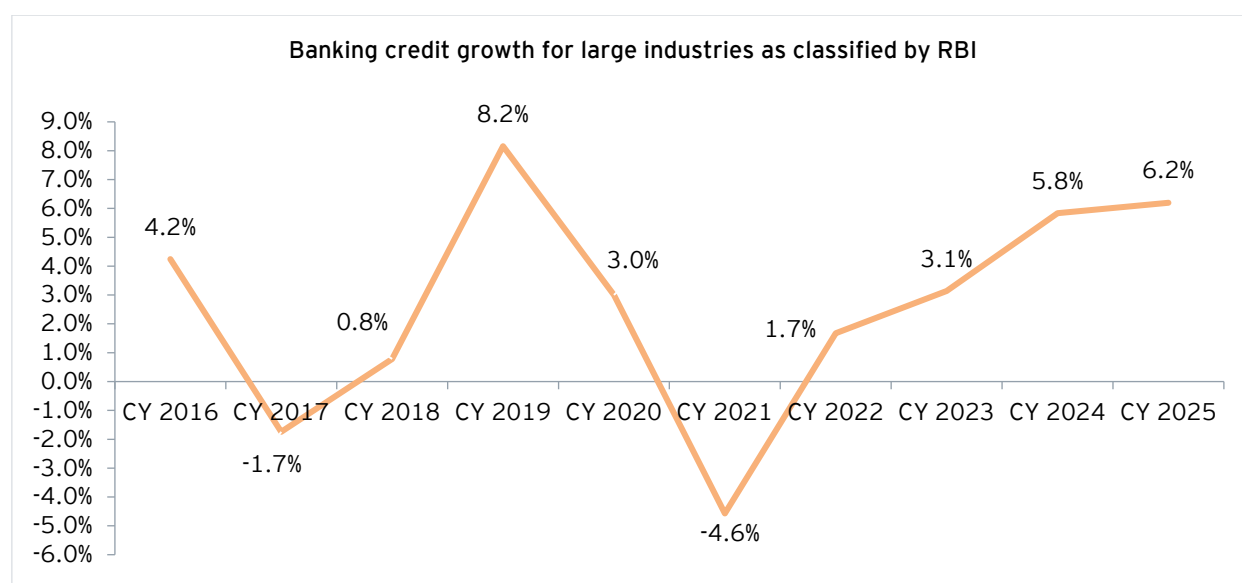
Note:

1. Trade includes wholesale trade (food procurement credit outside food credit consortium) and retail trade credit.
2. Others include transport operators, computer software, hotels, restaurants, professional services, aviation, shipping, mutual fund (MFs), banking and finance other than NBFCs and MFs and other services which are not indicated in the aforementioned categories

As of March 2025, SCB credit outstanding rose 11% YoY to US\$2.02 trillion, driven by steady growth in agricultural lending (+10%) supported by rural demand and government procurement, strong expansion in personal loans (+12%) led by rising urban consumption, housing demand, and digital credit penetration, and moderate growth in industrial credit (+8%). Within services, lending to trade and

other service segments surged by 16%-17%, aided by the post-pandemic rebound in discretionary spending and logistics activity.

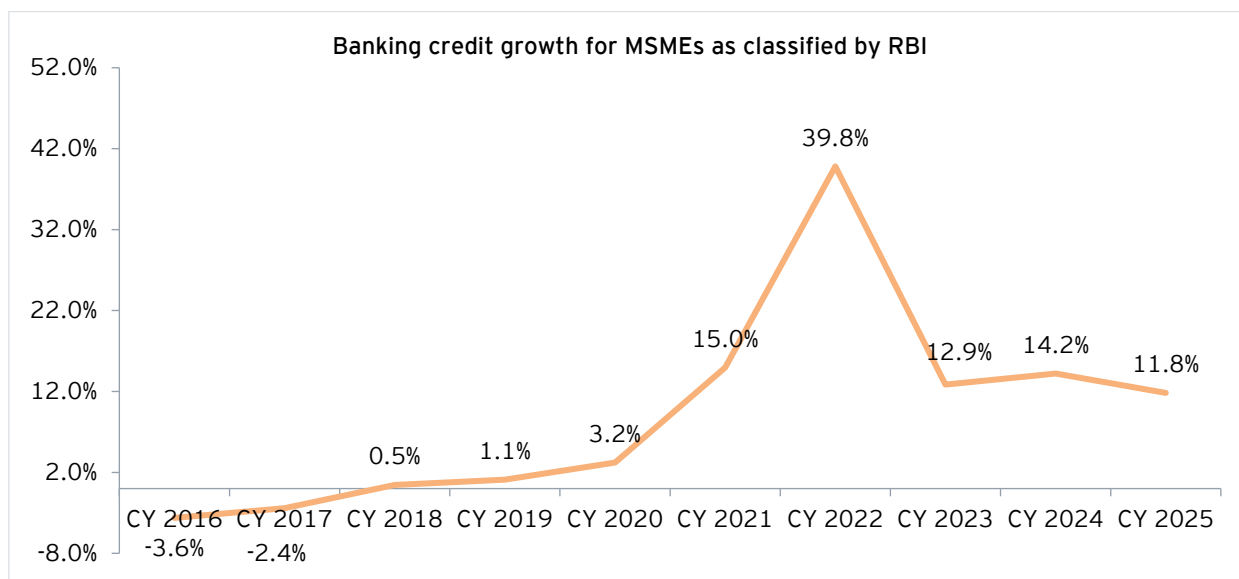
The chart below depicts the trend in the banking credit growth rate for large industries and MSMEs over the last 10 years.



Source: RBI Sectoral Deployment of Credit Reports

¹³ RBI - Data on sectoral deployment of bank credit





The credit growth rate for the large industries sector is gradually growing and has been close to ~6% in the last two years. These large industries represent 43.9% of the overall credit of SCB's as on FY25, remaining at the at the same level historically.

From 2020 onwards, MSME credit growth witnessed a strong momentum from a modest 3.2% in CY2020 to a peak of 39.8% in CY2022, driven by policy interventions like Emergency Credit Line Guarantee Scheme and recovery in demand. While the growth rate has moderated since, it remains healthy in CY2023 (12.9%), CY2024 (14.2%), and CY2025 (11.8%), indicating steady credit flow.

The RBI's late-FY24 hike in risk weights for unsecured personal loans and NBFC exposures prompted banks to adopt a more cautious lending posture. Consequently, unsecured retail credit growth slowed to 11.6% (September 2023-March 2025) from a 27% CAGR earlier, while bank credit to NBFCs moderated to 8.8% from 28.7% for the same period and increased by 6% YoY in FY25.

In contrast, MSME lending outperformed overall non-food credit growth. This segment saw a steady rise in credit share, supported by improved asset quality -

dropping GNPA (down to 3.6%) reduced sub-prime exposure, and extensive coverage under credit guarantee schemes. Microfinance, however, faced sharp headwinds. Rising stress and a reduction in active borrowers led to a drop in overall credit to the sector, with falling SCB lending.

Overall, H1 2025 marked a clear portfolio rebalancing by banks—retreating from high-risk retail and NBFC exposures, reducing microfinance lending, and consolidating around lower-risk, guaranteed MSME and select service segments. This shift, driven by asset quality concerns and regulatory constraints, creates white space for private credit and alternative lenders to expand selectively, particularly in consumer finance, NBFC funding, and structured MSME loans.

In the first half of 2025, the RBI took several steps to improve liquidity in the market. It cut the repo rate and relaxed provisioning norms for under-construction infrastructure loans, aiming at making it easier for banks to lend and support economic activity.

2.2 Credit deployed by NBFCs¹⁴

The NBFC sector continues to be a critical player in India's credit ecosystem, supported by strong capital buffers, healthy interest margins, and improving asset quality. As of March 2025, the system-level capital to risk-weighted assets ratio (CRAR) stood at a robust 25.8%.

In November 2023, RBI increased the risk weight to 100% on all bank loans to NBFCs (irrespective of credit rating) to contain excessive leverage. But effective April 2025, it rolled this back, allowing risk weights to once again be linked to the NBFC's credit rating. Despite tighter regulations for most of FY25, the sector demonstrated resilience and the credit growth moderated due to higher risk weights on consumer credit and bank exposures to NBFCs, constraining their lending capacity. However, total credit growth picked up to 20.7% YoY by March 2025, up from 16% in September 2024, led by upper-layer NBFCs (NBFC-ULs)¹⁵. Notably, this uptick was partly due to structural changes, including the reclassification of an HFC to NBFC-UL and a merger between NBFC-UL and NBFC-ML (middle-layer) entities.

At the activity level, NBFC-Infrastructure Finance Companies (NBFC-IFCs) saw improved credit offtake - retail as well as wholesale, while NBFC-Micro Finance Institutions (NBFC-MFIs) contracted in H2 FY25 amid stress in their microfinance portfolios.

Funding dynamics evolved during the year. Bank credit to NBFCs grew just 5.9% YoY by March 2025, placing upward pressure on borrowing costs, which rose to 8%. Bank borrowings remained the largest funding source (41.7%), followed by debentures (31.6%). Facing tighter domestic liquidity, NBFCs increasingly tapped foreign currency borrowings, which jumped 162% for NBFC-ULs over the year - nearly 80% of which was hedged.

Asset quality saw an improvement across the NBFC sector, with the gross non-performing asset (GNPA) ratio declining to 3% for NBFC-ULs, NBFC-MLs, and the overall sector. Within segments, the industry and services sectors - which constitute 38% and 20.5% of the total NBFC loan portfolio, respectively - also reported better asset quality, with GNPA ratios easing to 3.2% and 4%. Provisioning coverage remained significantly higher for NBFC-MLs at 75.8%, compared to 44.9% for NBFC-ULs, reflecting prudent risk management.

While the NBFC sector remains well-capitalized and resilient, supported by stronger players, vulnerabilities persist - particularly in retail credit stress, rising cost of funds, and funding concentration risks. A supportive regulatory and liquidity environment will be crucial for enabling broad-based and sustainable credit growth across the non-banking space.

2.2.1 Wholesale book of NBFCs

We have conducted an analysis of the wholesale lending portfolio of 18 select large NBFCs (including private sector lending of REC and Power Finance Corporation or PFC) from March 2018 to March 2025. Overall, the wholesale book of these select NBFCs increased by US\$9.8 billion i.e., 18.3% (YoY FY25). This growth was primarily driven by a US\$5.61 billion-increase, i.e., 33% increase, in private sector lending by REC and PFC, underscoring the rising role of public sector NBFCs in wholesale markets. Additionally, out of remaining 16 large NBFCs, nine NBFCs contributed to a growth of 21% YoY and seven showcased a de-growth of 26% YoY.¹⁶

Overall, a more cautious approach by lenders, improvement in lending standards, and the restoration of risk weights on bank lending to NBFCs are stability-enhancing and credit positive.

¹⁴ RBI FSR Report June 2025

¹⁵ RBI has established a four-layered (Base, Middle, Upper, and Top) regulatory framework for NBFCs based on their size, activity, and potential impact on the financial system. These generally include large housing finance companies, infrastructure finance companies, and investment NBFCs.

¹⁶ EY analysis

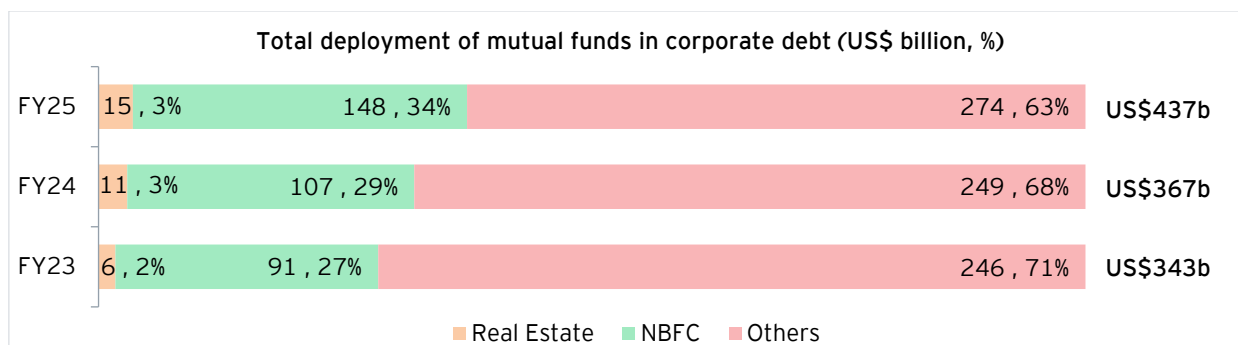


2.3. Debt mutual funds

The total deployment of mutual funds in corporate debt (including floating rate bonds, NCDs and others) increased from US\$367 billion in FY24 to US\$437 billion in FY25 marking a growth of 19% vis-à-vis 7% FY23 to FY24.

Between FY23 and FY25, there is a noticeable move toward the NBFC sector. Its share has increased from

27% to 34%, reflecting future potential. In contrast, real estate stays unchanged at a low 3%, showing that sentiments toward the sector remain cautious. Meanwhile, the allocation to 'Others' has dropped from 71% to 63%, indicating a more focused approach, with capital being redirected toward sectors like NBFCs that offer better opportunities.



Source: SEBI website

2.4 Corporate bond market

The corporate bond market remains a vital alternative to bank financing. Outstanding corporate bonds reached approximately US\$602 billion by December 2024, equivalent to a ~9% year-on-year increase in INR terms during the first three quarters of FY 2024-25¹⁷. ICRA projects this to rise further to US\$603 billion-US\$608 billion by March 2025, marking a growth of ~9.2%-9.8%¹⁸.

In 2024, total issuance reached ~US\$125 billion, with a notable 19% increase in long-term bonds (over five years)¹⁹. However, 2025 has seen a pivot toward short-term debt, with over 50% of new issuance in May comprising bonds with maturities of up to five years, primarily driven by NBFCs and state entities capitalizing on expected rate cuts and improving liquidity²⁰.

Leading institutions such as LIC, EPFO, HDFC Mutual Fund, ICICI Prudential AMC, and SBI Mutual Fund have notably ramped up their exposure to corporate debt. This strategic shift has contributed to a 14.5% increase in assets under management (AUM), rising from US\$19.88 billion in December 2024 to US\$22.79

billion by May 2025. The pace and magnitude of this growth underscore a pronounced change in institutional investment preferences, signaling renewed confidence in the corporate bond market²¹.

Technology and regulatory reforms are driving the growth of India's corporate bond market. The adoption of Request for Quote systems through regulated online platforms has improved transparency and access, especially for retail investors. These changes align with broader efforts to modernize financial infrastructure. They are supported by fiscal initiatives, including the expected inclusion of Indian government bonds in global indices, which could indirectly boost corporate bond participation.

However, structural challenges persist. Market liquidity is concentrated among high-rated issuers, resulting in limited access and trading depth for smaller or lower-rated companies. Regulatory burdens, and overdependence on credit rating agencies further hinder broader participation. Addressing these issues is essential to ensure the sustainable and inclusive growth of the corporate bond market.

¹⁷ <https://www.businessstoday.in/markets/story/indias-total-outstanding-bonds-heres-a-detailed-breakdown-467675-2025-03-12>

¹⁸ ICRA's 'Financial Markets & Banking Update VOL. 1: FY2025-FY2026' dated April 2025

¹⁹ [Indian firms raise record funds via corporate debt in 2024; seen rising further | Reuters](#)

²⁰ [Indian companies rush to sell short-term debt as RBI monetary boost lowers rates | Reuters](#)

²¹ [Corp bond secondary mkt daily turnover grows around 2K-cr in FY25: RBI | Finance News - Business Standard](#)



03

Regulatory
and other
developments

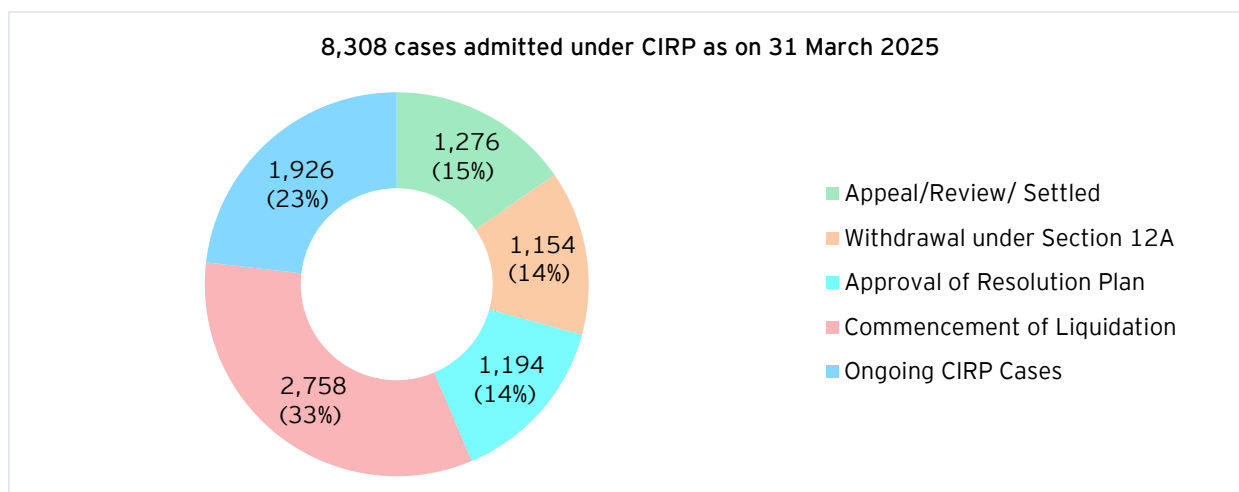
3.1 Insolvency and Bankruptcy Code²²

As per the IBBI's latest quarterly newsletter (as of 31 March 2025), a total of 8,308 cases were admitted under the Corporate Insolvency Resolution Process (CIRP) since inception in 2016. Of these, 6,382 cases (76.8%) have been closed, while the remaining (23.2%) are ongoing.

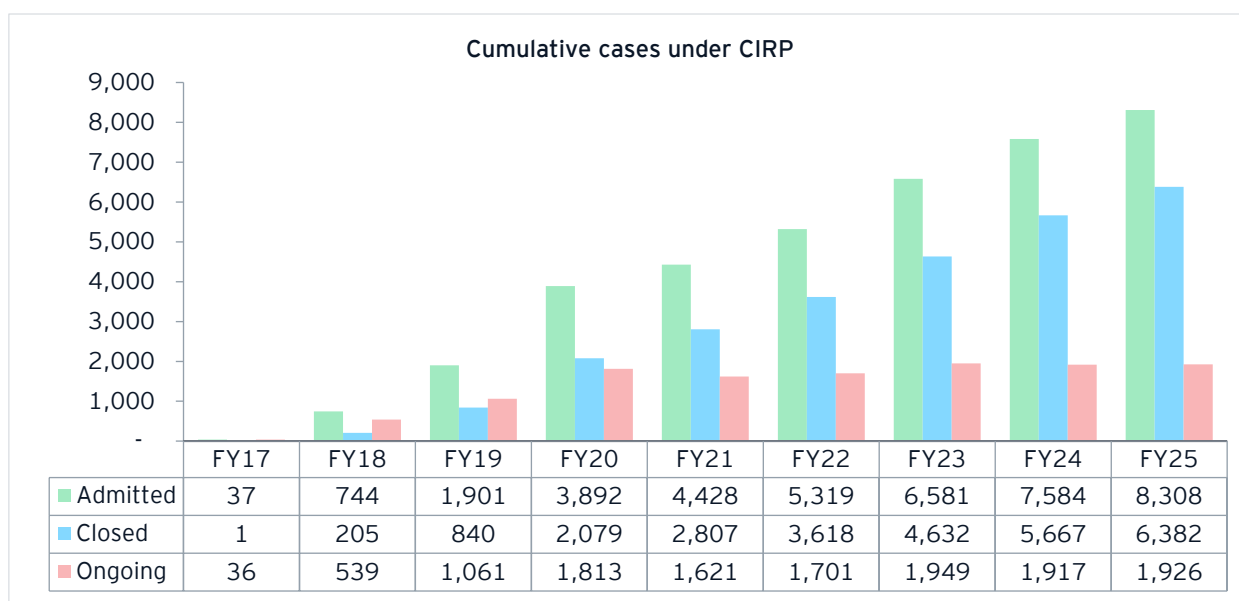
Out of the closed cases, 3,624 (56.78%) corporate debtors (borrowers) were rescued – comprising 1,194 cases through the approval of resolution plans, 1,154 cases withdrawn under Section 12A of the IBC, and 1,276 cases resolved through appeal, review, or settlement. Meanwhile, 2,758 (43.2%) cases ended in liquidation.

Notably, of the 1,194 cases resolved through approved resolution plans, 172 cases involved claims exceeding US\$116 million each. In H2 FY25 alone, 130 resolution plans were approved by the NCLT, bringing the total number of approved resolution plans in FY25 to 259.

The steady volume of large-ticket resolutions and the increasing number of approved resolution plans reflect a maturing insolvency ecosystem in India.



Source: Quarterly Newsletter of the IBBI - March 2025

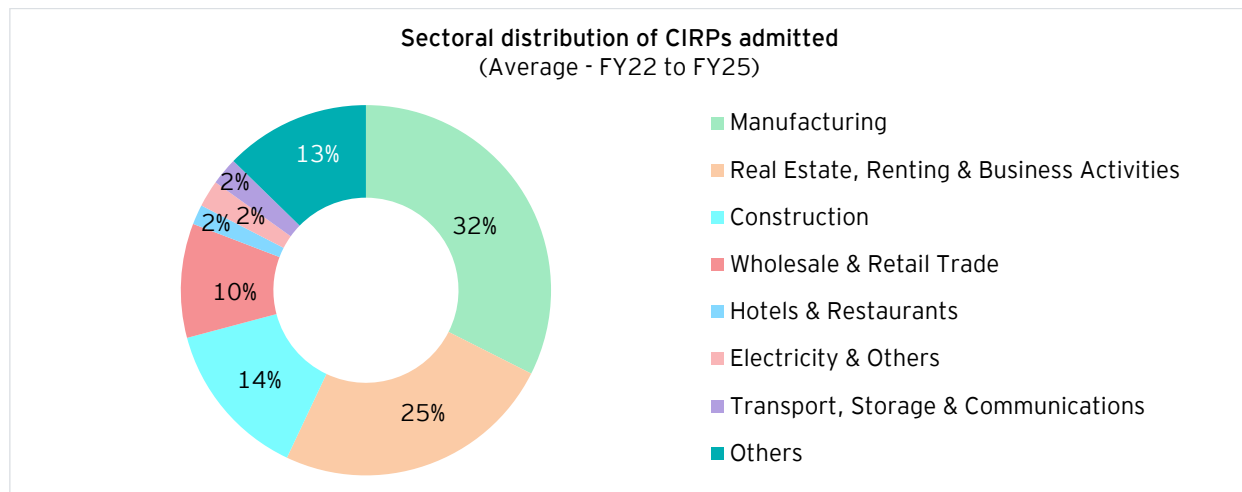


Source: Quarterly Newsletter of the IBBI - March 2025

²² Quarterly Newsletter of the IBBI - March 2025

Between January and March 2025, 50% of the 133 cases admitted under IBC originated from the **Manufacturing and Real Estate sectors**. Notably, these sectors also accounted for **61% of the**

resolution plans approved during the same period, underscoring their significant share in the insolvency landscape.



Source: Quarterly Newsletter of the IBBI - March 2025

The average time taken for the closure of CIRPs, resulting in a resolution plan (i.e., from admission till NCLT approval) is about 713 days, significantly exceeding the prescribed timeline of 180 days and the extended outer limit of 330 days, including time for litigations. This delay is due to ongoing litigations after initiation of CIRP, delays in approval of resolution plans due to lack of sufficient benches, vacancies in the existing NCLT benches, and non-cooperation by corporate debtor/promoters. The government has recognized this issue and has proactively undertaken measures to streamline the process. These actions include increased monitoring and stricter compliance, as well as the establishment of more benches to reduce the load and backlog on the existing benches. In March 2025, 21 new judicial and technical members were appointed to NCLTs across India, increasing the total strength to 63 members across 16 benches. To further fast-track the conclusion of CIRPs and reduce pendency, an additional 50 appointments are planned in FY 2025-26.

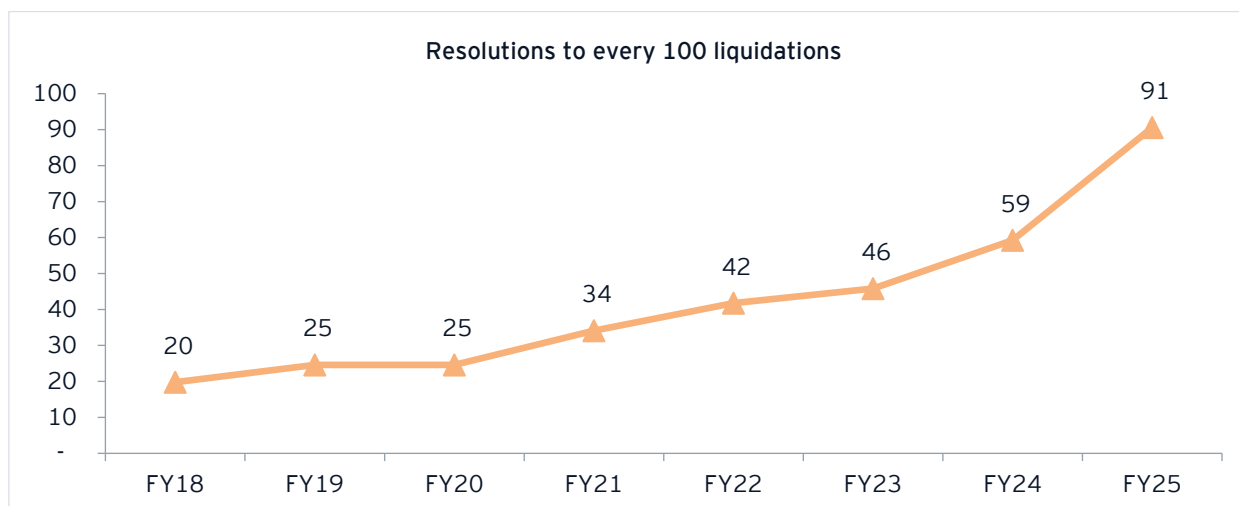
Banks, financial institutions, and other creditors of stressed companies have realized ~US\$45 billion since the inception of IBC through NCLT-supervised insolvency resolution processes against total claims of ~US\$138 billion till 31 March 2025, a recovery of ~32%. The recovery rate for quarter ended March 2025 increased substantially to ~70% of the admitted creditor claims, from 28% and 25% in the quarters ended September

2024 and March 2024, respectively, driven primarily by the landmark resolution of KSK Mahanadi Power Company Ltd. **On an aggregate basis, since implementation of IBC, creditors have realized 170% of the liquidation value and 93% of the fair value of these non-performing assets.**

Analysis of the 1,194 cases resolved under CIRP as of 31 March 2025 reveals that despite taking an average of 597 days for resolution (after considering the time excluded by the NCLT), the process remained cost-efficient, with average costs amounting to just 1.22% of the liquidation value and 0.77% of the resolution value.

Notably, in OECD high-income economies, insolvency proceedings cost an average of 9% of the debtor's estate.

It is also noteworthy that the number of insolvency cases resulting in resolution vis-à-vis liquidation is on the rise. This is clearly visible in the numbers, since for every 100 cases resolved through liquidation, the number of cases resolved through resolution has increased from 20 in FY18 to 91 in FY25. This trend highlights IBC's evolving effectiveness as a tool for business revival rather than mere asset recovery. It also signals a shift in market behavior, where resolution is increasingly favored over liquidation, aligning with the Code's core objective of preserving enterprise value and ensuring continuity of viable businesses.



Source: Quarterly Newsletter of the IBBI - March 2025

While the outcomes mentioned above are directly linked to the cases undergoing processes under IBC, it is imperative to consider the impact of the IBC beyond recoveries in a more holistic manner, i.e., its significance in enhancing the negotiating power of creditors and propelling timely out-of-court settlements. The credible threat of a change in control under the IBC, has significantly changed the creditor-debtor relationship. The debtors are keen to resolve the stress even before the admission of the case before the NCLT to avoid a change of hands of the company and other consequences of the resolution process. NCLT data shows that 30,310 cases were settled prior to admission, covering underlying defaults worth ~US\$160 billion till December 2024. **As per RBI's Financial Stability Report (June 2025), the GNPA ratio of Scheduled Commercial Banks declined to a 12-year low of 2.3% (March 2025).** The IBC emerged as the dominant recovery mechanism, accounting for 48% of total bank recoveries in FY 2023-24 (RBI's Trends and Progress Report, Dec 2024).

Recent noteworthy case laws²³

Surplus cash distribution during CIRP boosts creditor recovery significantly

KSK Mahanadi Power Company Ltd. stands out as a landmark case under the IBC due to the significant distribution of surplus cash reserves during the CIRP. The NCLT permitted the disbursement of approximately INR6,000 crore-INR8,000 crore to the secured financial creditors from the company's idle funds prior to the approval of the resolution plan²⁴. In addition, the admitted claims of employees were fully paid from this surplus, following the waterfall

mechanism under Section 53 of the IBC. This case underscores the importance of judicial flexibility, and timely interim relief during the resolution process, illustrating how proactive measures during CIRP can significantly support stakeholder interests in large and complex insolvencies.

Potential setback to the principle commercial wisdom of Committee of Creditors

On 2 May 2025, the Hon'ble Supreme Court set aside the US\$2.29 billion resolution plan submitted by JSW Steel for Bhushan Power & Steel Ltd., citing violations of key IBC provisions and procedural irregularities. The Court held that approvals by the NCLT and NCLAT were legally untenable and ordered liquidation of the company.

The judgment has raised serious concerns around creditor recoveries, investor confidence, and the finality of resolution plans, especially in cases with implementation delays or compliance gaps. Strategically, this may lead to greater caution in post-resolution investments, particularly in legacy or contested assets.

In contrast to the Hon'ble Supreme Court judgment in the Essar Steel insolvency case, which upheld the sanctity of approved resolution plans and the Committee of Creditors' (CoC) primacy, Bhushan Power exposes how lapses and non-disclosures can overturn even fully implemented plans. The case marks a shift toward stricter judicial scrutiny, reinforcing the need for timely adjudication, stronger institutional oversight, and a balanced insolvency framework that ensures both legal accountability and commercial certainty.

²³ Supreme Court/NCLT Orders

²⁴ Order dated 5th August 2024 and News articles

At present, the Supreme Court, on an application by the successful resolution applicant, has recalled the judgment and decided to hear the matter (appeal challenging the resolution plan) afresh.

Prior approval of competition commission mandatory for CoC approval

In another landmark judgment in the Hindusthan National Glass & Industries Ltd. case, the Supreme Court clarified that prior approval from the Competition Commission of India is mandatory for resolution plans involving combinations. An unsuccessful resolution applicant had challenged the plan approved in favor of AGI Greenpac Ltd., arguing procedural lapses. While the NCLAT had held that CCI approval could follow CoC approval, the Supreme Court ruled that the term “prior” in Section 31(4) of the IBC must be given its plain meaning. A subsequent review petition by AGI Greenpac was dismissed, reinforcing the statutory requirement and procedural clarity. This clarifies a critical procedural step, ensuring compliance with competition law during insolvency resolution. While this may lead to further delays, it strengthens regulatory oversight and reduces risks of post-approval challenges. Stakeholders must now factor CCI clearance into their resolution timelines to avoid invalidation of plans, promoting greater legal certainty and aligning insolvency processes with statutory requirements.

Recognition of Indian insolvency process as a foreign proceeding

Compuage Infocom Limited, an Indian IT distribution company with a Singaporean subsidiary, faced insolvency proceedings initiated by a financial creditor in India. The Resolution Professional sought recognition of these Indian CIRP proceedings in Singapore under Article 15 of the United Nations Commission on International Trade Law Model Law on Cross-Border Insolvency to access the subsidiary's assets. The Singapore High Court examined whether the Indian CIRP qualified as a “foreign proceeding,” if the RP was a “foreign representative,” and if procedural requirements were met. The SHC ruled that the CIRP is a foreign main proceeding,

recognized the RP as a foreign representative, and confirmed all procedural conditions under the Model Law were satisfied. This marks a significant step forward for India's cross-border insolvency framework. It affirms that Indian insolvency processes can be acknowledged and enforced internationally, facilitating the inclusion and recovery of overseas assets within the resolution plan. Further, this strengthens cooperation between jurisdictions, enhances creditor confidence, and underscores the importance of harmonizing domestic insolvency laws with global standards. The ruling encourages more robust and effective resolution of multinational corporate insolvencies involving Indian companies.

The decision also encourages structuring flexibility for cross-border lending and boosts confidence in the legal infrastructure supporting cross-border debt resolution, which are key considerations for funds active in special situations, distressed credit, or structured lending across geographies.

Setback to supremacy of IBC over other statutory laws

In a landmark ruling in May 2025, the Supreme Court held that the moratorium under the IBC does not override asset attachments made under the Maharashtra Protection of Interest of Depositors (MPID) Act. This judgment clarifies that state-led enforcement actions aimed at protecting public interest, particularly depositors, can continue independently of insolvency proceedings. From an IBC standpoint, this narrows the scope of the moratorium, potentially limits the asset pool available to creditors, and prioritizes depositor claims over secured creditors. For private credit investors, this introduces a heightened enforcement risk, especially in cases involving fraud, regulatory scrutiny, or depositor claims. Secured positions may no longer guarantee priority access to collateral if state-led actions intervene. This precedent reinforces the need for enhanced legal due diligence, jurisdictional risk assessments, and cautious underwriting in regulated or retail-facing sectors. Funds must now factor in non-IBC enforcement dynamics when evaluating recoverability and structuring downside protections.



3.2 Development in Alternate Investment Funds (AIFs) framework - Key regulatory relaxation

3.2.1 SEBI eases unlisted investment norm for Category II AIFs²⁵

SEBI (AIF) regulations mandate that Category II AIFs shall invest primarily in unlisted companies directly or through investment in units of other AIFs.

However, following the insertion of Regulation 62A in the SEBI (LODR) Regulations, 2015 – which mandates compulsory listing of all NCDs issued by a listed entity on or after 1 January 2024 – a regulatory misalignment emerged. To mitigate the unintended consequences of Regulation 62A, SEBI has amended Regulation 17(a) of the SEBI (AIF) Regulations on 21 May 2025.

Amended Regulation 17(a) now allows listed debt securities rated 'A' or below to be treated as unlisted for compliance under AIF investment norms, without affecting their listed status under the LODR framework.

The above relaxation will enable Category II AIFs to invest in lower credit without breaching structural thresholds, thereby promoting credit flow and greater flexibility.

Key developments for AIFs in SEBI's Board Meeting dated 18 June 2025

SEBI's recent reforms underscore its commitment to building a modern, resilient AIF regulatory framework. Key developments approved are as under:

CIV structure notified – Co-investment brought within AIF umbrella

SEBI in its board meeting has allowed Category I and II AIFs to offer co-investment opportunities through Co-Investment Vehicles (CIVs) – dedicated schemes under the AIF structure – exclusively for Accredited Investors already invested in the AIF.

Earlier, co-investments were facilitated via Portfolio Management Services (PMS), leading to dual compliance, fragmented cap tables, and misaligned exits. Under the current structure, CIVs are scheme-

level extensions of the main AIF. This will ensure co-terminus exit with the main fund.

Illustration: If an AIF invests US\$12 million in a US\$35 million-round, the remaining US\$23 million can be raised via CIV from existing AIF investors under a unified structure. This eliminates the need for a separate PMS arrangement.

This step would reduce legal duplication, strengthen governance, avoid misaligned exits, and simplify administration and company cap tables. One would need to see if the final regulations permit co-investment by persons other than investors in the fund which would obviate the need for obtaining a co-investment PMS license.

Angel funds: Participation restricted to Accredited Investors (AIs)

In its board meeting, SEBI also significantly revised the regulatory framework for Angel funds by restricting participation exclusively from SEBI-recognized Accredited Investors (AIs), as defined under Regulation 2 (1) (ab) of SEBI (AIF) Regulations, 2012²⁶. Under this regime, AIs are now also classified as QIBs for Angel funds. This replaces the earlier regime of self-certified angel investors. Existing non-AI investors will be grandfathered, with a one-year transition period.

Key relaxations include:

- Angel funds shall raise funds from Accredited Investors without the requirement of a minimum investment amount.
- Key managerial person of the Angel fund and its manager may also invest in Angel funds without the requirement of a minimum investment amount.
- The requirement of minimum corpus and maximum commitment period for Angel funds may be removed and instead Angel funds may be mandated to start investing only after on-boarding minimum five Accredited Investors.
- The requirement for Angel funds to file term sheet with SEBI for each investment may be removed. Angel funds may be mandated to

²⁵ [SEBI \(AIF\) Regulations, 2012](#)

²⁶ [SEBI \(AIF\) Regulations, 2012](#)

maintain records of term sheets for each investment, including the list of investors who participate in that investment and their contribution to the investment.

- Allowing contributions from more than 200 AI investors.
- A reduced minimum investment in an investee company of US\$0.012 million (up to US\$2.9 million).
- Removal of concentration limit of 25% of total investment of Angel fund in a company.
- Permission for follow-on investments even after a startup matures, subject to certain conditions.

All deals must be offered to every fund investor, with allocations complying with the terms disclosed in the Private Placement Memorandum (PPM). Sponsors and managers must maintain “skin in the game” by co-investing at least 0.5% of each deal (or INR50,000, whichever is higher).

This framework is designed to attract financially sophisticated investors while streamlining capital flow to startups through professionally managed Angel Funds.

3.2.2 RBI's proposed safeguards on Regulated Entities' exposure to AIFs

In continuation of its efforts to enhance prudential norms and reduce indirect credit risk, the RBI issued final directions on July 29, 2025, governing investments by Regulated Entities (REs) in AIFs.

This follows earlier guidelines issued in December 2023 and March 2024, which prohibited REs from

investing in AIFs with downstream exposure to their debtor companies. In such cases, REs were required to exit within 30 days or make a 100% provision on investment. RBI released a draft of the revised directions in May 2025 for public comments to incorporate stakeholder feedback.

The key provisions in the final directions include:

- A single RE cannot invest more than 10% of an AIF scheme's corpus, with total RE investment across all entities capped at 20% per scheme;
- Investment up to 5% of a scheme's corpus is allowed without any provisioning restriction;
- Where the REs invests more than 5%, and the AIF has downstream debt exposure (excluding equity, Compulsorily Convertible Preference shares, Compulsorily Convertible Debentures) to the RE's debtor company, the RE must maintain 100% provision for its proportionate exposure, subject to a cap equal to its direct exposure to the debtor company;
- RBI may exempt certain AIFs in consultation with the government (except general policy requirements).
- The revised directions will apply from January 1, 2026, or an earlier date as per the RE's internal policy. Existing investments/ commitments may continue to follow the extant framework.

The final directions aim to curb indirect exposure risks and strengthen transparency in RE-AIF linkages, while allowing limited participation with defined safeguards. REs and AIF managers will need to reassess investment strategies and internal compliance mechanisms considering the revised directions.

3.3 Tax and Regulatory Amendments

3.3.1 Finance Act 2025

One of the key changes introduced by the Finance Act, 2025 is expansion of the definition of capital asset to include securities held by Category I and Category II Alternative Investment Funds ('AIFs') in accordance with the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 ('SEBI AIF Regulations'). This amendment provides certainty that income will be taxed as capital gains and income earned by debt funds could be taxed as 'investment income'. While not

challenged on an extensive basis, there were always questions on the characterization of income earned by debt funds.

The other key amendment introduced by the Finance Act, 2025 is that the long-term capital gains tax rate for Foreign Portfolio Investors has also been rationalized from 10% to 12.5% on transfer of any security. The Finance (No. 2) Act, 2024 increased the long-term capital gains tax rate to 12.5% from 10%. However, the rate in Section 115AD of the Income-tax Act, 1961 for long-term capital gains on unlisted securities continued at 10%. Please note



that the transfer/ maturity/ redemption of unlisted debt securities falls within the scope of section 50AA of the Income-tax Act, 1961 and hence, construed as short-term capital gains - this is subject to treaty benefits, if any.

3.3.2 Co-investment by Venture Capital Scheme and Restricted Scheme

Regulations 29(1) and 41(1) of the International Financial Services Centres Authority (Fund Management) Regulations, 2025 (FM Regulations) enable a venture capital scheme (VCS) and a restricted scheme (Restricted Scheme) respectively to co-invest in permissible investments either under a framework specified by the International Financial Services Centres Authority (IFSCA) or through a segregated portfolio by issuing a separate class of units.

IFSCA has, on 21 May, issued a circular²⁷ (Co-Investment Circular) for the purpose of providing the mechanism and manner for facilitating co-investments by VCSs and Restricted Schemes through a Special Scheme and for such Special Scheme to undertake leverage.

The key features of the Special Scheme, as provided by the Co-Investment Circular, are as follows:

- Any FME registered with IFSCA, having either an operational VCS or a Restricted Scheme or both, shall be eligible to launch a Special Scheme, in accordance with the terms and conditions of the relevant PPM of such VCS or Restricted Scheme. The Special Scheme shall have the same classification (Category I, II, or III AIF) as the AIF which launches the Special Scheme.
- A Special Scheme may be constituted as a Company or LLP or Trust.
- The AIF which launches the Existing Scheme shall, at all times, hold a minimum of at least

25% of the equity share capital, interest, or capital contribution in the Special Scheme.

- The tenure of the Special Scheme shall be co-terminus with the tenure of the Existing Scheme, unless liquidated earlier. In the event of the liquidation of the Existing Scheme, the Special Scheme shall also be liquidated.
- Special Schemes shall be used only for making co-investments (with or without leverage) in the portfolio companies of Existing Schemes.
- A Special Scheme shall be permitted to invest only in a single portfolio company. However, a Special Scheme shall be permitted to hold securities of more than one entity if such securities are issued as a result of one or more corporate actions or restructurings at the portfolio company level, including but not limited to amalgamation, demerger, or slump.
- Any person shall be eligible to co-invest in the Special Scheme, subject to the minimum contribution requirements as mentioned in the FM Regulations.
- The FME, in its sole discretion, may choose to contribute to the Special Scheme.
- Within 45 days from the date of making a co-investment, the Special Scheme should file with IFSCA a Term Sheet as per the format prescribed.
- The leverage undertaken by the Special Scheme shall be within the overall leverage limits specified in the PPM of the Existing Scheme. The Existing Scheme and investors of the Special Scheme shall be permitted to create encumbrance, over their ownership interests in the Special Scheme, in favor of a lender to the Special Scheme.

²⁷ F. No. IFSCA-AIF/6/2025-Capital Markets

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Debt



- Fund Raise (Banks/NBFCs, Structured Credit, Special Situations)
- Bond Raise Advisory
- Debt Refinancing/ Settlement
- Debt Restructuring
- Portfolio Sales
- Acquisition Financing
- Sale of Distressed Assets

Special situations



- Interim Management
- Finance Function Effectiveness
- Fix-Sell-Close
- Working Capital Management
- Independent Business Reviews
- Technology led Business Monitoring
- Operational Turnaround
- Crisis Stabilisation
- Resolution Professional and Liquidation
- Bid advisory on IBC transactions

Banks and
Financial
Institutions

Pan India presence,
backed by decades of
industry expertise

Private credit/
equity funds

Diverse team
comprising bankers,
sector specialists,
and experts with
global investor reach

Indian corporates
and MNCs

Largest platform in
the country with 200+
strong team members
and 11 partners

Asset
reconstruction
companies

Delivering innovative
and creative solutions
to achieve exceptional
results

Pioneers in the Debt and Special Situations space

We have worked on some of the most **marquee cases** in recent times

Debt



Renowned hydro-electric power company

Raised ~US\$270 million operating a 330 MW project, private credit fund by issuing non-convertible debentures to refinance outstanding dues of existing lenders

Global soap and oleochemical business

Raised ~US\$23 million as working capital facilities from a leading Bank to support the expansion of a global oleo-chemical and personal care products manufacturer

Vridhhi Infratech

Raised ~US\$20 million from multiple Banks for working capital facilities to support the business growth of the Company

Thirumalai Chemicals Limited

Raised US\$12 million by helping the company in issuing Non-Convertible Debentures to a private credit fund, for enhancing liquidity and covering startup costs for their new plant in India.

Solar EPC Company

Raised US\$22 million as working capital facilities from a leading Private Bank to support the expansion of a Solar EPC Company

Special situations



Vidarbha Industries Power Limited

Successfully completed the resolution process in 144 days for the acquisition of a 600 MW operational thermal power plant by Adani Power Limited

Reliance Broadcast Network Limited

Supported the Resolution Professional in operating the company as a going concern, co-ordinating with stakeholders and CoC, and facilitating a smooth handover to the Successful Resolution Applicant

Nivaya ASL Private Limited

Advisory for equity divestment and transfer of ownership in Allied Strips Limited and repayment of 100% debt of secured lender

Frozen Food Company

Interim Management: Led strategic initiatives as part of the MD's office at a high-growth Indian manufacturer and exporter of potato based frozen food products

Large Infrastructure company

Preparation of detailed annual operating plan and validation of technical inputs of a large Infrastructure company



04

New fund setup
and **deal activity**

4.1 Fund raising

Relying on publicly available data and insights shared by funds, we have outlined the status of select fund-raising activities as follows:

- Aditya Birla Sun Life AMC has announced the first close of its Structured Opportunities Fund - Series II raising US\$81 million. The fund aims to raise ~US\$290 million in total with an emphasis on structured credit transactions for mid-to-large corporates in manufacturing, infrastructure, and industrial sectors.²⁸
- Alpha Alternatives Fund Advisors has closed its Structured Credit Opportunities Fund at US\$384 million, with co-investments pushing total commitments to US\$640 million. The fund will invest in special situations, debt restructuring, and operating equity deals, typically ranging from US\$12 million-US\$52 million.²⁹
- ASK Curated Luxury Assets Fund- I (ASK CLAF I), launched by ASK Property Fund and India Sotheby's International Realty, raised US\$58 million to invest in luxury housing projects across major cities³⁰.
- Aventus Structured Credit Fund III announced its first close of US\$116 million with a target corpus of US\$465 million to invest in mature and growth-oriented companies at target IRR of 16%-18%.³¹
- ICICI Prudential Corporate Credit Opportunities Fund II raised US\$87 million in H1 2025
- Incred's performing credit funds:
 - Incred Credit Opportunities Fund - II raised US\$79 million till 30 June 2025, with ~US\$15.5 million raised in H1 2025. The fund aims at a deployment ticket size of up to US\$12 million and targets an IRR of 16% to 17%.
 - Incred Special Opportunities Fund - I raised US\$105 million till 30 June 2025. The fund aims at a deployment ticket size of up to US\$16 million and targets an IRR of 21% to 23%
- Investec's INR and US dollar denominated India focused funds:
 - INR denominated Performing Credit Fund raised a further ~US\$35 million in H1 2025 post raising US\$122 million in CY2024. The fund will deploy the monies in ticket sizes ranging from US\$18 million to US\$36 million, targeting IRRs of 14% to 16%.
 - USD denominated India focused PE acquisition fund has raised US\$63.2 million upto H1 2025, with deployment ticket sizes of US\$10 million to US\$15 million. The fund targets return based on SOFR + 6%-7%.
- Modulus Alternatives' performing credit fund - India Credit Opportunities Fund II, raised US\$69 million, with a deployment ticket size ranging from US\$15 million to US\$23 million, and targeting an IRR of 14% to 18%.
- Sundaram Alternates high-yield funds:
 - Sundaram Alternative Opportunities Series - High Yield Secured Real Estate Fund IV raised US\$68 million in H1 2025, with planned deployment ticket sizes ranging from US\$6 million to US\$12 million. The fund is focused on refinancing and last-mile funding opportunities, aiming to deliver an IRR of 18-20%.
 - Sundaram Alternates - Emerging Corporate Credit Opportunities Fund - Series I raised US\$35 million in H1 2025. The sector-agnostic fund aims to offer tailored financing solutions to high-growth, cash-generating small and mid-market companies, with a targeted IRR of 18-20%.

Fund raises in pipeline

- Government-backed National Investment & Infrastructure Fund (NIIF) is planning to raise a US\$2 billion private credit fund. The fund will focus on performing credit, aiming to channel international capital into the Indian economy³².

²⁸ Press release by Aditya Birla Sunlife AMC dated March 17, 2025: First close of ABSL Structured Opportunities Fund Series 2

²⁹ Press release by Alpha Alternatives dated March 17, 2025: Alpha Alternatives announces final close of its Structured Credit Opportunities Fund with INR 5,500+ Crore

³⁰ Economic Times article dated May 22, 2025: ASK curated luxury assets fund raises INR 500 crore

³¹ VCCircle article dated May 8, 2025: Aventus Hits Halfway Mark in close for Third Private Credit Fund

³² Business Standard article dated Feb 12, 2025 - NIIF plans to raise \$2 billion private credit fund, India's largest so far

- Motilal Oswal Group plans to raise about US\$250 million through its maiden private credit fund over the next four to six months.³³
- Prabhudas Lilladher Group has launched its first AIF, the PL Capital Performing Credit Fund. With a target of US\$116 million, the fund aims to invest in growth-oriented businesses. It plans to invest in both listed and unlisted mid-market companies across various sectors, excluding real estate.³⁴
- Sundaram Alternates has secured US\$43 million in investor commitments for its Performing Credit Opportunities Fund - Series I. The fund targets an IRR of ~15% through investments in

well-established, ESG-compliant entities with credit ratings of AA+ or higher.

New fund launches

- Bandhan AMC has launched an alternative investment platform, Vedartha, which will offer products using listed equities and fixed-income solutions under Bandhan AMC's AIF and PMS.³⁵
- Blackstone Group is planning to launch a credit fund for retail/individual investors. Structured as an interval fund, it will allow individuals to invest daily, while redemptions will be limited to quarterly windows and capped in amount.³⁶

4.2 Deals during H1 2025

Important information: In this section, we have reported and analyzed private credit deals that were concluded in the first half of CY 2025. The data presented below is based on publicly available information and is limited to the deals tracked by us. This information does not include venture debt, debt raised by financial services players, term loans or working capital demand loans disbursed by NBFCs and offshore credit raises. Notably, we have taken a cut-off of single private placement over US\$10 million for the purpose of our analysis. The reported transactions include financing by banks (domestic, foreign and GIFT-City), NBFCs, mutual funds, and family offices in case they are part of the debt syndicate along with private credit investors.

The deal values are based on regulatory filings and hence, in cases where deals have been announced but filings are pending, there may be a lag in reporting the data. Lastly, given the opaque nature of the structured finance market and the lack of any formal and precise definition and wide-ranging investment strategies, some professional judgment is exercised in doing the analysis and reporting the data.

H1 2025 recorded 79 private credit deals above US\$10 million, totaling ~US\$9.0 billion, up by 53% from US\$5.9 billion in H1 2024 and significantly higher than US\$3.3 billion in H2 2024. A key highlight was the late-May raise of US\$3.1 billion by Porteast Investment (a Shapoorji Pallonji Group entity), marking the largest onshore deal in India's private credit market to date.

4.2.1 Global funds versus domestic funds

In the charts below, we have split the investments made by global funds and domestic funds in H1 2025. Global funds comprise institutions headquartered outside India with a multi-country presence. Domestic funds, on the other hand, are headquartered in India.

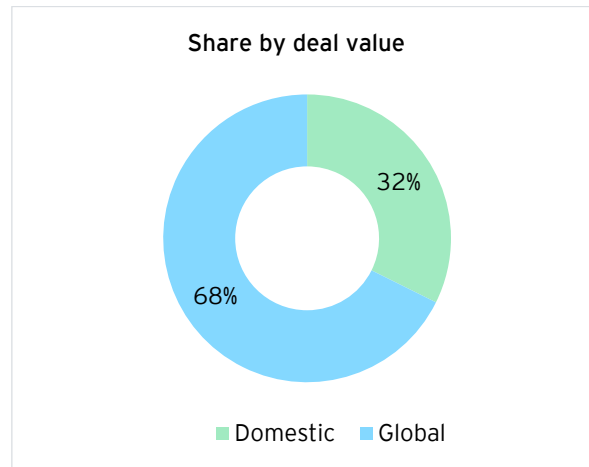
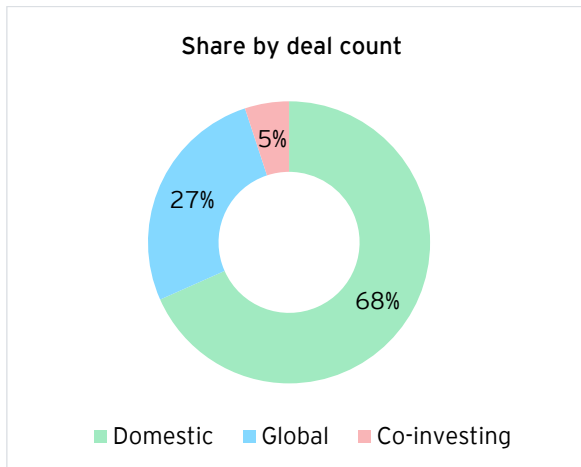
³³ The Hindu Business Line article dated June 10, 2025 - Motilal Oswal to enter private credit

³⁴ CNBCTV18 Article dated May 12, 2025 - PL Asset Management launches Performing Credit Fund

³⁵ Cafemutual article dated Mar 20, 2025 - Bandhan AMC launches Vedartha, an alternate investment platform

³⁶ Bloomberg article dated Apr 17, 2025 - Blackstone to debut Credit fund for Everyday investors in May





Note: Deals involving investments from both domestic and global investors have been separated and are not presented as 'co-investing deals' by value.

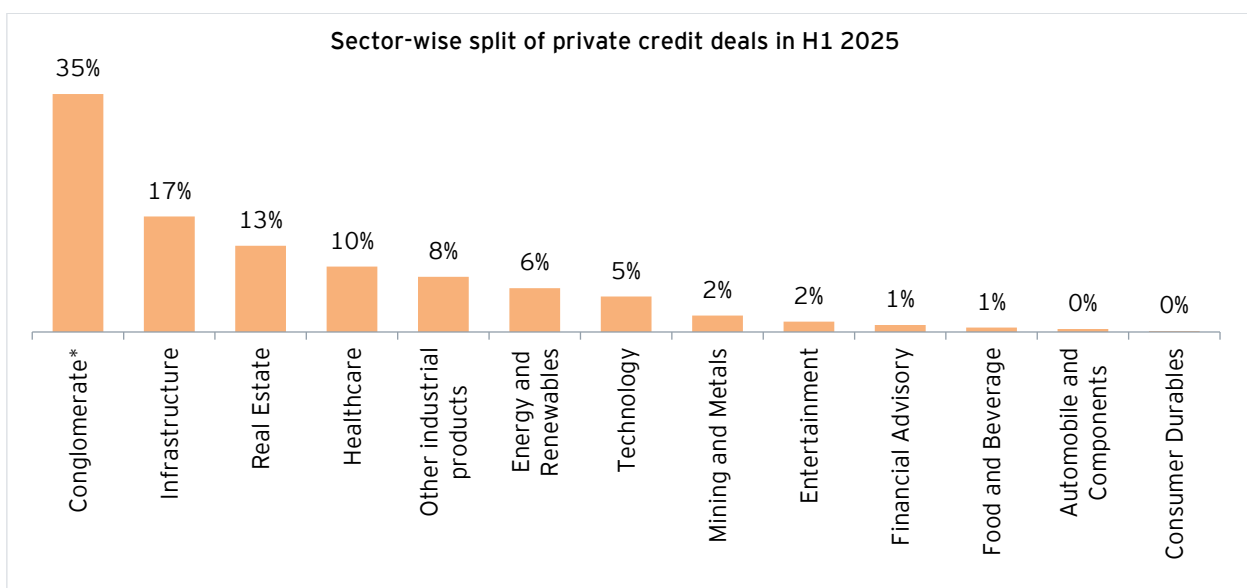
Over the past three years, global funds have contributed nearly 55% of total capital deployed in the private credit market – despite participating in fewer deals than domestic players. While H2 2024 marked a temporary reversal, with domestic funds

accounting for 63% of total deployments, H1 2025 realigned with the prevailing trend: domestic funds led in deal participation, but global funds continued to drive the majority of capital inflows into India's private credit market.

4.2.2 Sectoral dynamics of private credit deal flow

The chart illustrates the sectoral distribution of private credit investments in H1 2025. While the conglomerate data depicts the Shapoorji Pallonji Group deal, the infrastructure sector attracted the highest interest from credit funds, followed by real estate. Key borrowers across sectors include Mumbai International Airport Limited (Adani Group) (US\$750 million) in Infrastructure, Manipal Education and

Medical Group (MEMG) (US\$600 million) in Healthcare, Bilt Graphic Paper Products Limited (US\$360 million) in Other Industrial Projects, Aerogrid Advanced Hosting Solutions Private Limited (US\$348 million) in Technology, Alaknanda Hydro Power Company Limited (US\$236 million) in Energy and Renewables, among others.

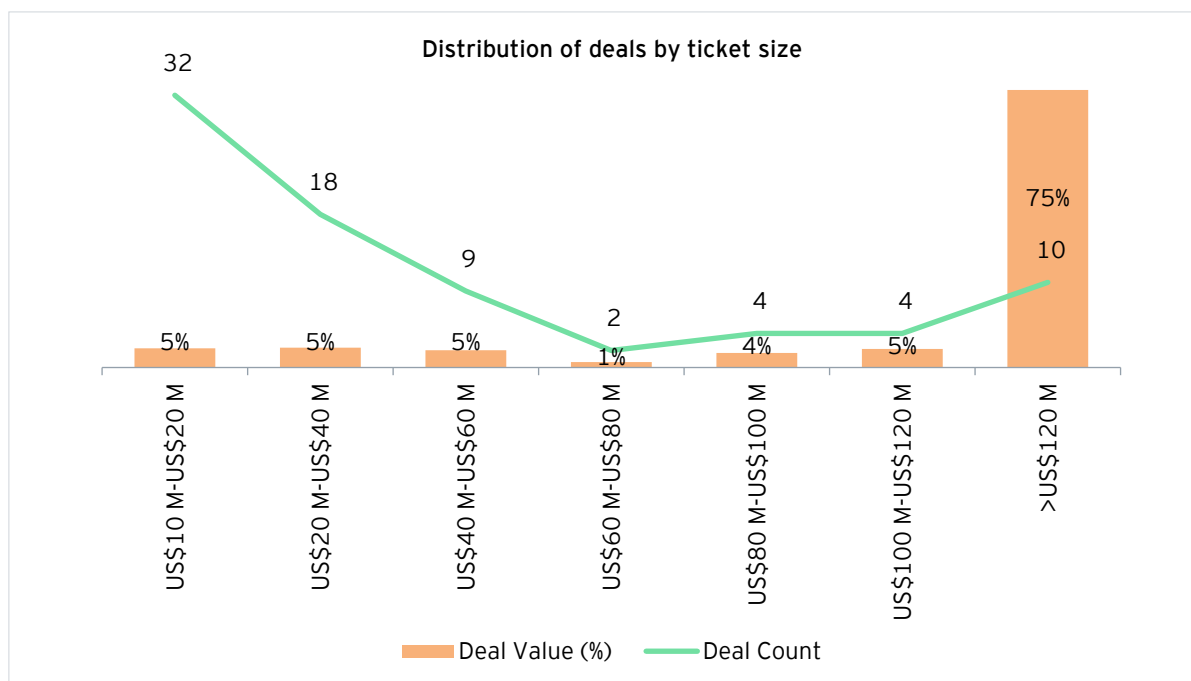


*'Conglomerate' captures Shapoorji Pallonji Group, spanning across infrastructure, engineering, real estate and other sectors.

4.2.3 Distribution of deal size

The chart below presents the distribution of deals by ticket-size. In H1 2025, transactions exceeding US\$100 million constituted 18% of the total count,

consistent with CY 2024, wherein such transactions comprised 13% of total deal count.



4.2.4 Summary of select deals in H1 2025

In H1 CY2025, we tracked 79 deals totalling US\$9.0 billion. The table below illustrates a sample of these

transactions, offering a glimpse into the deal activity during the reporting period.

Month and year	Borrower	Investors	Amount US\$ million	Deal rationale	IRR
Conglomerate					
May-25	Shapoorji Pallonji Group - Porteast Investment Private Limited	Deutsche Bank, Farallon, Cerberus, Davidson Kempner, Morgan Stanley, Edelweiss, Synergy Capital, Ares SSG, Temasek, Walkers Group, Discovery, ASK, Pico Capital	3,141	Refinancing	≥ 18%
Infrastructure					
Jun-25	Adani Group - Mumbai International Airport Limited	Apollo Global, BlackRock, MetLife, FWG Insurance, Standard Chartered Bank	750	Refinancing	Sub-18%
Jan-25	GMR Infra Enterprises Private Limited	Abu Dhabi Investment Authority	733	Refinancing	Not Available
Mar-25	Century Joint Development Private Limited	ARES SSG	87	Refinancing	≥ 18%



Month and year	Borrower	Investors	Amount US\$ million	Deal rationale	IRR
Other Industrial Products					
Jun-25	Bilt Graphic Paper Products Limited	Allianz Group, DSP, Kotak Alternate Asset Management Limited Funds, Trust Group	360	Refinancing of existing debt	≥ 18%
Feb-25	TVS Group - TS Rajam Rubbers, TVS Mobility & Dhinarama Mobility	Omers Capital, ICICI Prudential, Kotak PC Fund, DSP, Oaktree, Nomura, JP Morgan, Axis AMC, Arka Fincap, RV Capital, Nippon	194	Refinancing and General Corporate Purposes	Sub-18%
Mar-Apr-25	Gayatrishakti Paper & Boards Limited	Neo Asset Management, Aditya Birla Finance	40	Refinancing	≥ 18%
Jun-25	Thirumalai Chemicals Limited	Modulus Alternatives	12	Capex Financing	Sub-18%
Real Estate					
Jan-Mar-25	Embassy Group - Serenesummit Realty Private Limited	360 One, Famy group with affiliate lenders	112	Project Expenses, Working Capital purposes	Sub-18%
Apr-25	TARC Limited & group entities	Bain Capital	97	Refinancing	Not Available
May-25	Edifice Group entities	Varde	87	Acquisition of Land	≥ 18%
Jun-25	Century Real Estate - Suruchi Properties Private Limited	Nomura, Standard Chartered (Gift City)	52	Refinancing and working capital purposes	≥ 18%
Jun-25	Phoenix Group - Phoenix Technobuild Private Limited	SC Lowy	41	Project Expenses	≥ 18%
Mar-25	Transcon Developers Private Limited	Cerberus	40	General Corporate Purposes	≥ 18%
Jun-25	Cybercity Group - Cybercity Hitech & Cybercity Madhapur	Oaktree	35	General Corporate Purposes	≥ 18%
May-25	RMZ Group - Millenia Realtors Private Limited	ICICI Prudential	29	General Corporate Purposes	Sub-18%
Jan-Mar-25	Equinox Group - Sylvanus Properties Limited	Aditya Birla Group, Alpha Alternatives, Trust Group	29	General Corporate Purposes	Sub-18%
Apr-25	Voora Property Developers Private Limited	Sundaram Alternates	13	Working Capital	≥ 18%
Healthcare					
Jun-25	Manipal Education and Medical Group	KKR, Clifford Capital	600	Growth Financing	Sub-18%
Jan-25	Neuberg Diagnostics Private Limited	Kotak Alternate Asset Management Limited Funds	104	Acquisition Financing	≥ 18%

Month and year	Borrower	Investors	Amount US\$ million	Deal rationale	IRR
Feb-May-25	Lovr Institute of Medical Sciences	Ascertis	46	Capex Financing	Not Available
Apr-25	Saimirra Innopharm Private Limited	Piramal Alternatives	19	Acquisition Financing and Refinancing	≥ 18%
Energy & Renewables					
Apr-25	GVK Group - Alaknanda Hydro Power Company	Kotak Alternate Asset Management Limited Funds	236	Refinancing	≥ 18%
Apr-25	Adhunik Power & Natural Resources Limited	Davidson Kempner	145	Refinancing	Not Available
Jan-25	Greenko RJ02 IREP Private Limited	JP Morgan	116	General Corporate Purposes	Sub-18%
Feb-25	Greenko UP01 IREP Private Limited	360 ONE Private Credit & its affiliates	47	Land acquisition & Capex Financing	Sub-18%
Technology					
Jun-25	Aerogrid Advanced Hosting Solutions Private Limited	Blackstone, Citi Group, Standard Chartered & other lenders	348	Acquisition Financing and Refinancing	Not Available
Mining & Metals					
Mar-25	Mahaprabhu Projects Private Limited	Davidson Kempner, Walkers group	203	General Corporate Purposes	Not Available
Entertainment					
Jan-25	GMR Sports Venture Private Limited	Elham Credit, Barclays	116	Refinancing	Sub-18%
Financial Consulting and Advisory					
Jan-Feb-25	M G M Consulting Services Private Limited	Edelweiss Funds	70	Refinancing, General Corporate Purposes	Not Available
Food & Beverages					
Mar-Apr-25	Wow Momo Foods Private Limited	Incred, Nuvama Wealth, Stride Ventures	23	Refinancing and Capex Financing	Sub-18%
Feb-25	S.P.Y. Agro Industries Limited	Investec, UTI Asset Management	21	Acquisition Financing and Refinancing	Sub-18%

Note: This is only a subset of the overall deal flow in H12025.

We also tracked 66 deals worth ~US\$300 million, each with a deal value of less than US\$10 million. Please note that this data may not be comprehensive and is based only on the deals reported to us or data available in public domain.

In line with recent trends, H1 2025 continued to see active credit participation from mutual funds, NBFCs, and foreign banks – particularly in the sub-18% structured credit space. While well within their traditional risk appetite, these transactions increasingly reflect the kind of opportunities that



performing credit funds also target, underscoring the gradual intensification of competition in this segment.

This convergence in credit appetite was visible across several large transactions in H1 2025. Vedanta Limited raised US\$884 million from a wide base of lenders – mutual funds (US\$480 million), NBFCs (US\$174 million), foreign banks (US\$162 million), insurance companies (US\$33 million), and an Indian bank (US\$35 million). Similarly, L&T mobilized US\$334 million from mutual funds, JSquare Electrical Steel Nashik Private Limited raised US\$302 million from foreign banks, GMR Airports Limited secured US\$174 million largely from foreign banks with some NBFC participation, while Renserv Global Private Limited raised US\$118 million from mutual funds, US\$29 million from a bank, and US\$12 million from NBFCs.

Though well within the traditional return thresholds of these lenders, the structures and underlying profiles of such transactions increasingly resemble

those targeted by performing credit funds – reflecting a gradual broadening of competitive interest within the sub-18% yield space.

Additionally, the following select offshore transactions concluded in H1 2025 and were not included in the previously mentioned US\$9 billion deal value:

- Renew Exim DMCC, an Adani Group entity issued bonds worth US\$750 million to BlackRock, Sona Asset Management, Farallon Capital, Elham Capital and King Street Capital. The funds were utilized to finance the acquisition of ITD Cementation India Limited, an Engineering, Procurement and Construction company.³⁷
- North Queensland Export Terminal Pty. raised US\$207 million in debt from King Street Capital and Sona Asset Management to refinance debt obligations due in June 2025. The entity is part of Bravus Australia, an Adani Group company.³⁸

4.3 Exits: Select investment exits during H1 2025

Based on publicly available information and data shared by funds, here are some of the notable exits:

- 360 ONE Credit Funds and its affiliates exited US\$117 million worth of investments in Ace Urban Developers and Ace Urban Infocity (US\$44 million), Piramal Retail (US\$27 million), Dvara Holdings (US\$19 million), TS Rajam Rubbers (US\$18 million) and Betul Wind Farms (US\$9 million)
- ICICI Prudential exited its investment of US\$17 million in GMR Infraprojects at a sub-18% IRR
- InCred Credit Opportunities Funds (I and II) exited three of its investments while achieving an IRR of 16% to 18% on a total invested amount of US\$11 million. The portfolio included Stellar, Capital Fresh and Betul Wind Farms
- Investec exited its US\$21 million investment in FP Orion Private Limited in January 2025, at an IRR of 12.75%
- Kotak Alternate Asset has exited its investments in Prius Platinum and 11 other portfolio

companies, with a total deployed capital of US\$245 million

- Modulus Investments' India Credit Opportunities Fund II exited its US\$6 million investment in Zuari Agro Chemicals Limited, realizing an IRR of ~15%
- Neo Special Credit Opportunities Fund successfully exited four investments across pharma, distillery, NBFC, and infrastructure sectors, deploying ~US\$59 million and generating strong returns with realized IRRs of over 18%-20%.
- Sundaram Alternate Opportunities Series - High Yield Secured Debt Fund II and III exited 8 portfolio companies in real estate sector, achieving an IRR of 18.5% to 21.5% on total investments of US\$69 million. Meanwhile, Sundaram Alternates - Emerging Corporate Credit Opportunities Fund - Series I exited investments of US\$12 million at 17.5% IRR, and US\$8 million at 23.2% IRR in an infrastructure and healthcare company respectively.

³⁷ Economic Times article dated April 16, 2025: Global FIs join BlackRock for Adani's \$750 million bonds

³⁸ Economic Times article dated Feb 12, 2025: Adani signs \$207 million private loan for Australia coal port

A hand holding a silver pen is pointing towards a yellow rounded square containing the number '05'. The background is a dark blue and black collage of financial data visualizations, including a line graph with red and green nodes, a bar chart with orange bars, and a candlestick chart. The overall aesthetic is professional and data-driven.

05

In the
spotlight

5.1 Trading the illiquid: Navigating through the role of secondaries in private credit market

Since 2012, India's private credit market has witnessed an exponential growth, driven largely by the introduction of Category II Alternative Investment Funds as a preferred investment vehicle. While investors are often drawn to these funds due to their potential to deliver IRRs in the 12% to high-20% range, they also come with lock-in periods, often spanning three to seven years. The lifespan of such funds often extends beyond that of the underlying investment opportunities. With long maturity periods and limited liquidity options, accurately valuing these portfolios becomes challenging, particularly when the underlying returns are volatile and instruments are unrated, unlisted or carry higher risk. This uncertainty raises legitimate concerns for investors in deciding the right entry and exit time.

The inherent illiquidity of these instruments creates a strong case for developing a robust secondary market for AIFs, offering investors a clearer perspective on underlying assets and enabling more informed valuations.

Secondary transactions refer to the buying and selling of existing fund interests or portfolio assets. Rather than committing fresh capital to new deals, secondary funds purchase exposures in already-deployed investments, enabling quicker cash flows and risk-adjusted entry points.

There are two broad forms of secondaries in private credit:

- Limited Partner secondaries, where an existing investor sells their stake in a private credit fund to another buyer. This helps the seller rebalance their portfolio or exit prematurely.
- Asset-level secondaries, where individual loans or portfolios are transferred between investors, allowing more granular liquidity, valuation, and structuring flexibility.

As secondary markets develop further, such transactions can become a strategic tool for liquidity management, performance enhancement, and investor realignment.

In today's climate of trade wars and border tensions, where preserving and unlocking investment value is

critical, the secondary market plays an increasingly vital role in portfolio rebalancing and liquidity management.

Global position of private credit secondary market

Basis the data from 'Future of Alternatives 2029' report published by Preqin, the private credit market has witnessed a sharp surge in AUM over the past decade, exceeding US\$1.5 trillion³⁹ in 2024 and is projected to grow to US\$2.6 trillion by 2029. Much like private equity a decade ago, the rapid expansion of private credit is catalyzing the formation of a vibrant secondaries ecosystem. Today, secondary transactions account for less than 1% of private credit AUM globally, compared to the 2%-3% penetration seen in mature private equity markets, a clear signal of the headroom for growth.

Between 2020 and 2024, private credit secondary volumes rose from US\$3 billion to US\$15 billion, a 5x increase, while their share of primary AUM grew from under 0.2% to nearly 0.8%. If PC AUM reaches the projected values, a 2%-3% penetration would translate into a US\$60 billion annual secondary market, more than four times today's volume.

While both asset classes share structural drivers like liquidity needs, portfolio rebalancing, and fund lifecycle mismatches, private credit secondaries involve a more diverse and bespoke mix of transactions, including loan-level transfers, strip sales, NAV-based solutions, and structured portfolio deals.

The market is still in its early innings, but momentum is building. As investor familiarity grows and deal formats standardize, private credit secondaries are poised to become a core pillar of the broader alternative credit ecosystem.⁴⁰

The rise of private credit secondaries has been driven by a combination of market evolution and structural needs. The obvious factor has been the demand for liquidity among LPs, particularly during the period from 2018 to early 2024 when private credit investors experienced net negative capital distributions, as capital calls outpaced distributions amid rapid AUM growth. Recently, US-led import

³⁹ <https://www.globenewswire.com/news-release/2024/09/18/2948056/0/en/Global-alternatives-markets-on-course-to-exceed-30tn-by-2030-Preqin-forecasts.html>

⁴⁰ <https://www.privatecapitalsolutions.com/insights/unpacking-private-credit-secondaries> and Macfarlanes analysis, Data from Preqin Ltd, Evercore H1 2024 secondary market survey and reports by Collier Capital and Apollo Global Management.

tariffs triggered trade tensions, prompting investors in both private equity and private credit funds to pressure managers for exits and liquidity amid heightened market volatility.⁴¹

Managers have also leveraged secondary transactions to diversify their LP base, offering a lower-risk entry point that attracted both institutional and retail investors – especially important in a challenging primary fundraising environment. Additionally, they have used secondaries to ramp new products, such as evergreen or retail strategies, where showcasing a seeded and deployed portfolio was critical to attracting early commitments and avoiding cash drag.

Secondaries have further served as a tool to realign economic interests, particularly through continuation

vehicles that enabled General Partners to crystallize carry and repackage residual portfolios under terms aligned to their risk-return profile. Finally, managers have addressed maturity mismatches – caused by reinvestments late in the fund life, extended loan terms, refinancing delays, or non-performing loans – by using secondaries to extend or exit affected assets appropriately.

Together, these drivers have established secondaries as not only a liquidity solution, but a strategic lever for portfolio management, product development, and investor alignment within the private credit landscape. Structures like continuation vehicles, strip sales, NAV-based financings, and collateralized solutions are becoming more prevalent as investor familiarity deepens.

Select global managers actively raising private credit secondary funds:

Fund Manager	Fund Name	Fund Size (US\$ billion)	Firm AUM (US\$ billion)
AlInvest Partners	Strategic Portfolio Finance Fund II	4.00	100.0
Pantheon	III Senior Credit Secondaries Program	5.20	71.0
Coller Capital	Dedicated Private Credit Secondary Fund	1.45	27.5

- Pantheon, active in private credit secondaries since 2018, and AlInvest closed their latest funds in H1 FY25. Coller Capital had entered the space earlier, closing its inaugural fund in FY22.
- **In H1 FY2025, other large players also entered the market:**
 - Ares Management Corporation⁴² (AUM: US\$484 billion) raised US\$990 million for its private credit secondaries strategy.
 - Generali Investments (AUM: €632 billion) launched a strategy in partnership with Partners Group⁴³ (AUM: US\$152 billion).

Potential tax considerations in secondaries transactions in India

One needs to evaluate the tax aspects in case of secondaries transactions, irrespective of the transactions being undertaken as LP Secondaries or Asset Level Secondaries. In the context of these deals, one of the key tax considerations is the valuation of either the units/ shares of the funds (in

case of LP Secondaries) or the assets itself (in case of Asset Level Secondaries). The Indian income-tax laws require receipt of an asset being shares or securities at least at the fair market value (to be computed in the manner prescribed), which if not undertaken results into taxation in the hands of the recipient for the difference between fair market value and the consideration paid, at the applicable tax rates. Specifically, in the context of LP Secondaries, this could become a sunk cost.

For the transferor, depending on the way the assets (units/ shares of the fund or the asset itself) are transferred, the income ought to be subjected to tax (subject to treaty benefits, if any). Where the holdings are in the form of shares of a fund (if the fund is set up as a company), the fair market value norms apply equally for the transferor and if the sales consideration is lower than the fair market value, then the fair market value is deemed to be the consideration. Separately, one would also need to

⁴¹ Reuters - April 11, 2025

⁴² Ares Management Corporation, <https://www.secondariesinvestor.com/ares-crosses-targets-for-infra-and-credit-secondaries-funds/>

⁴³ Generali Investments & Partners Group



evaluate the withholding tax obligations in case of such transactions.

Overall, as global investors increasingly turn to secondary transactions for liquidity and portfolio rebalancing, India's private credit ecosystem may find itself at a similar inflection point in near future. Rather than launching fully dedicated secondary funds from the outset, a more pragmatic approach could be to embed a secondary allocation within existing private credit strategies. This would allow

domestic managers to build familiarity with secondary deal dynamics, develop internal capabilities, and gradually nurture a local ecosystem without the need for full-scale infrastructure upfront. As these foundational pieces fall into place, the market may organically mature into a more institutionalized secondary landscape.

The key question is, should India take this measured route, or leap straight into building dedicated private credit secondary platforms?

5.2 Private capex outlook: Early signs of caution amid RBI's policy stimulus

Recently, the Ministry of Statistics & Programme Implementation (MoSPI) published its inaugural report, "Forward-Looking Survey on Private Sector CAPEX Investment Intentions"⁴⁴, on 29 April 2025. Based on the sample, the report highlighted a 66.3% increase in aggregate private sector capex between FY22 and FY25. However, a sharp decline of 25.5% was observed between the intended private capex in 2024-25 and 2025-26. The total intended capex for FY26 was estimated at US\$56.86 billion.

In FY25, nearly 44% of intended capital expenditure is concentrated in manufacturing, highlighting its continued dominance as the primary investment driver across sectors followed by information and communication (15.6%) and transportation and storage (14%) and balance towards others. Being the first edition and based on sample data, the report may evolve in future iterations, and its findings should be interpreted with some caution.

In a recent industry analysis by ICRA⁴⁵, the sluggishness in private capex was largely attributed to muted activity among unlisted entities. Additionally, listed entities recorded a lower capex growth of 12% in FY24, compared to 23% in FY23. Beyond the subdued capex by unlisted firms, the broader slowdown was also driven by weak domestic consumption – especially in urban areas – muted export demand, and the influx of low-cost Chinese imports in certain sectors.

On the contrary, the central government is demonstrating a determined, phased approach to revive domestic demand and stimulate investment. In the Union Budget for 2025-26, the government announced a substantial capital expenditure outlay of US\$130.4 billion⁴⁶, a 10% increase over the previous year. This demonstrates a clear policy priority of pushing infrastructure-led growth. Key allocations were made towards defense, railways, highways, and digital infrastructure – sectors known for high forward and backward linkages with manufacturing and services⁴⁷.

Meanwhile, India's macroeconomic environment has shifted favorably. India's Consumer Price Index (CPI) inflation was recorded at a 75-month low of 2.8% in May 2025 – well below the RBI's medium-term target of 4%⁴⁸, marking a 1.2 percentage point deviation from the inflation goal. This significant decline in price pressures has provided the central bank with the policy space to stimulate economic activity. Further, in its April 2025 Monetary Policy Report⁴⁹, the RBI noted that international Brent crude prices have declined from early October 2024 to March 2025 from US\$82 to US\$73 per barrel. Even if global oil prices see a moderate uptick, the current inflation print being well below the target offers a buffer against any sharp impact.

In response, the RBI's Monetary Policy Committee (MPC) announced a 50 basis point-reduction in the repo rate, bringing it down to 5.50%⁵⁰.

⁴⁴ [Forward-Looking Survey on Private Sector CAPEX Investment Intentions](#)

⁴⁵ [ICRA, Press Release dated March 24, 2025](#)

⁴⁶ [Business Standard](#) dated Feb 01, 2025

⁴⁷ [Newsonair - Feb 02, 2025](#)

⁴⁸ [Ministry of Statistics and Program Implementation](#)

⁴⁹ [Monetary Policy Report - April 2025](#)

⁵⁰ [Governor's Statement: June 6, 2005](#)

Simultaneously, the central bank also implemented a 100 basis point-reduction in the CRR, phased over four months, effectively lowering it to 3%. While the RBI Governor has signaled that these measures will be actively monitored and recalibrated as necessary, the steps have already injected substantial liquidity into the banking system.

These moves are aimed at reducing the cost of funds, and supporting interest-sensitive sectors such as housing, MSMEs, and consumer finance. The CRR cut in June 2025 alone is expected to infuse approximately US\$29 billion into the system, contributing to broader financial stability and growth. In total, the RBI has injected US\$11 billion of durable liquidity since January 2025⁵¹.

The government and RBI actions seem to be aligned in boosting economic momentum through a calibrated mix of demand- and supply-side measures, including public spending, liquidity support, and tax reforms.

The Finance Act 2026 revised the basic income tax exemption slab to INR12 lakh under new regime, ensuring that nearly additional 10 million taxpayers will be no longer required to pay tax⁵². This single reform is expected to inject close to INR1 lakh crore into household disposable income, especially for the middle class, which will translate into higher consumption, particularly in urban and semi-urban

regions which may also support the revival of FMCG sector.

Complementing this, GST reforms – such as rate rationalization, simplified compliance for MSMEs, and sector-specific reliefs – have further helped in stimulating demand. As per a Press Information Bureau release, gross GST collection hit US\$255.8 billion in 2024-25, up 9.4% from last year.⁵³

Further upside to consumer spending is expected through the rollout of the 8th Pay Commission, applicable from January 2026, with financial implementation likely from January 2027. Though its report is yet to be finalized, market speculates a fitment factor to be in a range of 2.57 to 2.86 (2.57 during 7th Pay Commission)⁵⁴.

Despite visible caution in private capex, the central government and the RBI have laid out a well-calibrated strategy to stimulate demand and investment. From record public capital outlay and liquidity injections to interest rate cuts and direct tax relief, the policy environment is now geared toward reviving private investment through stronger household demand and a lower cost of funds. If the current momentum continues, India may be poised to transition from public-led growth to a more broad-based, private capex-driven economic cycle. A key factor to watch going forward will be how businesses respond to these changes and revive their investment plans.

⁵¹ [Governor's Statement: June 6, 2025](#)

⁵² [Reuters Feb 01, 2025](#)

⁵³ [PIB June 30, 2025](#)

⁵⁴ [Economic Times July 10, 2025](#)



5.3 Family offices: A quiet force reshaping private market capital

The growing institutionalization of family offices in India is subtly altering capital flows into private markets. With generational wealth transitions underway, many family offices are gradually moving beyond traditional asset classes toward more diversified allocations. While private credit still forms a relatively small portion of these portfolios, it is gaining traction as families seek stable, risk-adjusted returns in a high-rate environment.

To better understand this shift, we spoke with Soumya Rajan, Founder and CEO and Aditya Shah, Director - Alternative Investments of Waterfield Advisors, a wealth advisory firm. We delve into the evolving investment philosophy of Indian family offices – how they are navigating today's complex macroeconomic landscape, the growing role of private credit in their portfolios, the importance of governance and customization, and what fund managers must do to meet the long-term wealth, legacy, and liquidity objectives of this increasingly influential investor class.

1. How are Indian UHNI and business families looking at formalizing their wealth management into a formal family office?

Traditionally, family wealth was handled informally through trusted advisors or within the family business setup. However, over the past decade, Indian UHNI and business families have undergone a structural shift in how they manage wealth, and we have seen a 6X growth in family offices between 2018 and 2024, signaling the mainstreaming of this approach among UHNIs. Key drivers for this shift include the growing awareness around complex subjects that shape a business family's inter-generational journey, specifically around wealth preservation, succession planning and governance.

Families adopt different approaches to manage their wealth – those that have exited their businesses in full, have large liquidity events or have professionalized their businesses tend to set up a single-family office (SFO), which operates more like a private investment office, as the dominant role. SFOs typically structure their investments through a fund vehicle.

Other families, with smaller pools of liquid wealth and those still actively engaged in the operating

business typically work with multi-family offices, to outsource investment and administrative decision making. The choice is often made based on the time that a Family Principal can spend on family office matters, with the availability of less time prompting the family to use a multi-family office.

In both cases, the fundamental need is to have a formal structure for wealth creation and preservation across generations.

India has approximately 13,000 UHNI families with wealth above US\$30 million, which is projected to rise to 19,000 by 2028. This would suggest that only about 2%-3% of UHNI families currently operate through a formal single family office structure.

2. What percentage of wealth is invested in private markets? How has this changed over, say, last five years?

Indian family offices currently allocate approximately 20% of their wealth to private markets, representing a significant evolution over the past five years. According to UBS, globally, family offices allocated 21% to private markets in 2024.

At Waterfield, we have seen a significant increase in PEVC investment among our client families, particularly driven by the next generation. In FY20, private market allocations comprised 7% of our total client assets under advice. This has now increased to ~15% as of FY25. The preference continues to be in direct investing as the family office seeks greater control in the investment. Larger family offices are also directly competing with fund managers to enter the cap table of companies.

However, more recently, Indian family offices have begun to question their private market allocations, particularly in the context of Distributions to Paid-In Capital and public market returns. Is the illiquidity in private markets getting compensated through significantly better returns? At Waterfield where we track the performance of ~120 PE and VC funds, the “top quartile” fund manager significantly out-perform the “next quartile”. The challenge for Indian family offices will be to get access to the best performing managers.

3. How is private credit seen as an investment avenue? What percentage of overall assets are invested in private credit? How has this changed over the last five years?

Private credit is increasingly being viewed as a core fixed income allocation offering attractive risk-adjusted returns. We have seen increased interest due to its low correlation with equity markets, steady cash flows and strong risk-return profile.

The asset class has particularly gained appeal following the April 2023 taxation changes that eliminated advantages for debt mutual funds, making private credit more competitive on an after-tax basis. The improved credit environment, driven by corporate deleveraging and stronger regulatory frameworks, has enhanced the asset class's attractiveness as a diversification tool and hedge against reinvestment risk.

At Waterfield we identify managers providing returns of 15%-17% through various credit strategies, which significantly outperform traditional fixed income alternatives. Our overall fixed income allocations are ~30%, and within this, our allocation to private credit is 5%-7%, still comparatively small but growing rapidly, with the emergence of newer strategies.

4. Is there growing interest among family offices in participating in private credit through co-investments or deal-by-deal syndication, rather than blind-pool funds?

There is significant and growing interest in direct participation, evidenced by direct startup investments accounting for a significant share of Indian family offices' private market portfolios. This preference reflects family offices' desire for greater control, transparency, and fee efficiency compared to traditional blind-pool structures. The trend toward direct investment stems from improved liquidity, better access to opportunities, and enhanced transparency in the private credit ecosystem.

However, family offices are adopting a sophisticated dual approach rather than abandoning fund structures entirely. They maintain core allocations through funds while simultaneously pursuing opportunistic direct investments and co-investments for specific deals or sectors where they have expertise or conviction.

At Waterfield we have created a High Yield Fund-of-Funds vehicle to help families create a core private credit fund allocation, that provides access to

managers that have been deeply diligenced by the Waterfield team, risk diversification across multiple funds, and operational efficiency through single investment windows. The platform showcases and helps diligence co-investments keeping in mind family office investment preferences.

5. What key barriers limit family office investments in private credit, and what do they expect from fund managers to overcome them, especially around transparency and sector focus?

Primary barriers include limited access to quality opportunities and liquidity constraints as these are close-ended funds with a fund life of 6-7 years.

Key risks are lending to businesses outside traditional banking purviews and concerns about portfolio stability during adverse macroeconomic events. Increasing competition from new entrants is also creating downward pressure on yields while potentially compromising lending standards.

To address these concerns, family offices expect enhanced transparency through quarterly income distributions, detailed portfolio reporting, and regular performance updates. They demand robust risk management frameworks with active monitoring and early warning systems, plus strong governance structures including Limited Partner Advisory Committee (LPAC) representation.

Regarding sector focus, family offices expect conscious diversification strategies that avoid concentration risks. Professional management teams with stable track records and clear exit control capabilities are essential for building family office confidence in this evolving asset class.

6. How do you see family office assets, and specifically allocations to private credit, growing over the next 3-5 years, and how does this compare with trends in more mature markets?

Indian family office assets are projected for exceptional growth, underpinned by India's anticipated status as having the highest UHNWI growth globally, with numbers expected to rise 50.1% to nearly ~20,000 by 2028. India could account for as much as 30% of private credit fundraising in APAC by 2025, with annual deal flow potentially reaching US\$10 billion.

India's growth is driven by economic expansion, with the country expected to remain the world's fastest-growing major economy, and massive infrastructure



spending creating private credit demand. The shift from global LP dependency to domestic fundraising, combined with favorable regulatory changes in GIFT City and Special Economic Zones tax incentives, supports sustainable growth.

By 2027-2030, we are guiding Indian family offices to achieve 8%-12% direct private credit allocations, compared to the current modest allocation within the broader private markets bucket.

The market is rapidly professionalizing and adopting institutional best practices while maintaining higher

risk tolerance and higher yield expectations than developed markets, positioning India as a major destination for global private credit capital in the foreseeable future.

Scan to read the EY Indian Family Office Report



Ms. Soumya Rajan
Founder and CEO
Waterfield Advisors



Mr. Aditya Shah
Director
Waterfield Advisors



A hand is pointing at a tablet displaying financial charts. The background is blurred, showing a person in a suit. The tablet screen shows various data visualizations, including bar charts and line graphs, with a prominent yellow callout box containing the number '06'.

06

EY private credit
pulse survey

6.1 About the survey

We conduct a periodic survey of the private credit market in India to gauge market dynamics and detect shifts in the industry's overall direction. In the survey, conducted in July 2025, senior leaders from 29 prominent Indian and global high-yield and performing credit funds participated. Approximately 50% of the respondents targeted deals within an IRR bucket of 12% to 18% (performing credit) compared to the other 50% who preferred the 18% to 24% IRR bucket (high yield).

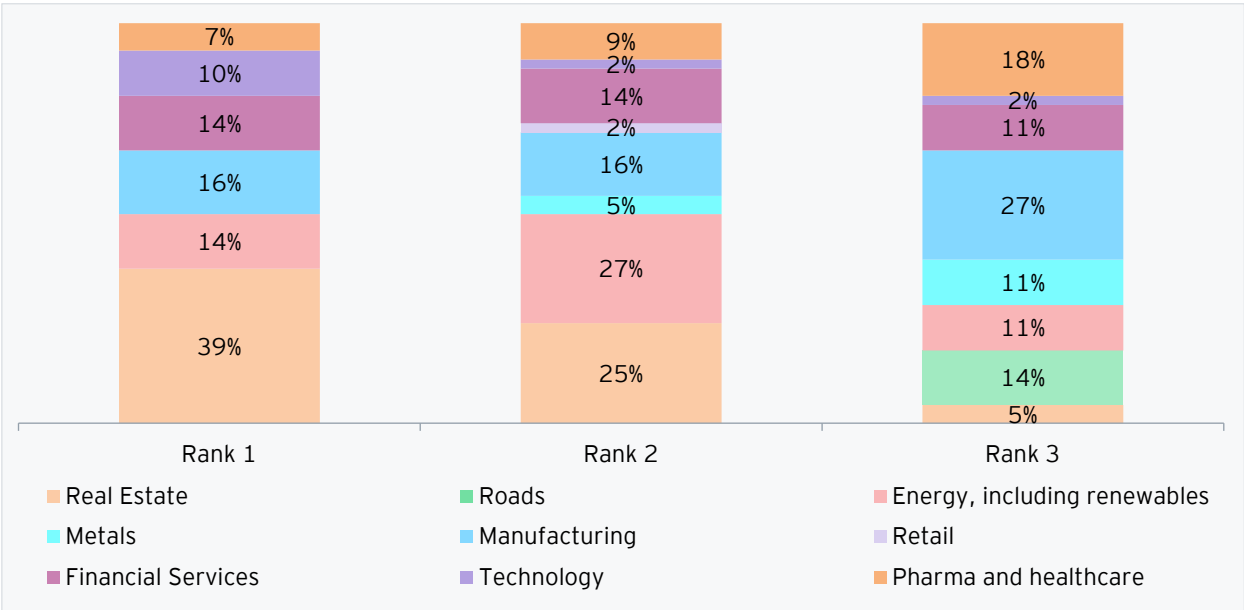
The survey reveals a market that is not only maturing rapidly but also showing increasing sophistication across deployment strategy, risk management, and capital sourcing. Fund managers continue to rank Real Estate as the highest for deal flow (39%), but also as the riskiest, indicating a pursuit of high-yield opportunities despite concerns around structural and execution risks. Manufacturing and Energy also featured prominently across deal flow rankings, indicating stable demand in sectors with more predictable cash flows and regulatory visibility. A growing share of fund managers view secondaries as

the next phase in India's private credit evolution. While 50% see dedicated secondaries funds as strategically relevant but still early due to nascent deal flow, 27% believe the market is already ready, supported by rising demand and transaction volume, signaling a shift toward greater liquidity and ecosystem maturity. 70% of respondents expect deal competition to increase over the next 12 months, likely fueled by both international capital inflows and the rising presence of alternative credit platforms.

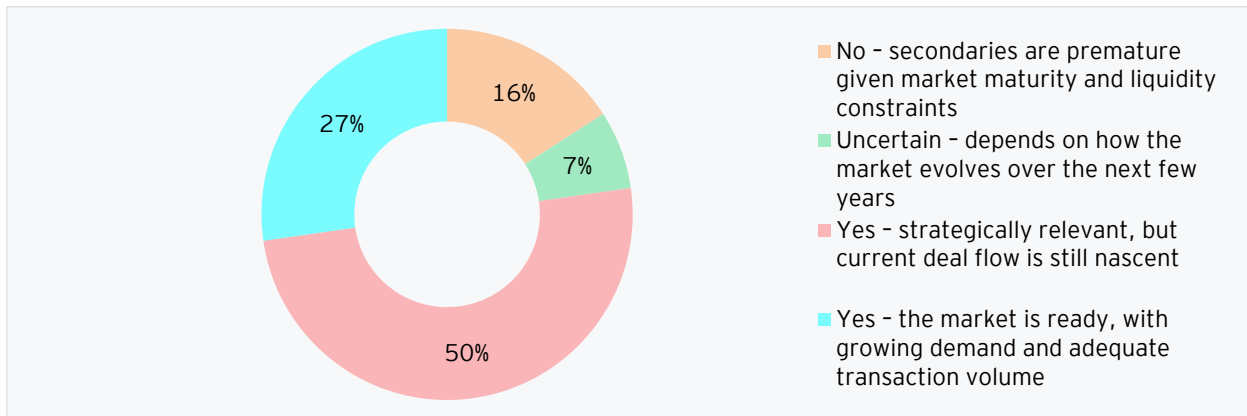
Despite increased competition, managers remain resiliently bullish about the future, indicating broad consensus on the durability of the asset class. This positive sentiment appears to be grounded in robust risk frameworks, as none of the respondents view current portfolio default risk as high – 56% consider it moderate, and 44% low. About 41% of fund managers expect private credit investments to surpass US\$10 billion in the coming year, reflecting bullish sentiment and rising demand for structured, asset-backed, and event-driven deals.

6.2 Results of the survey

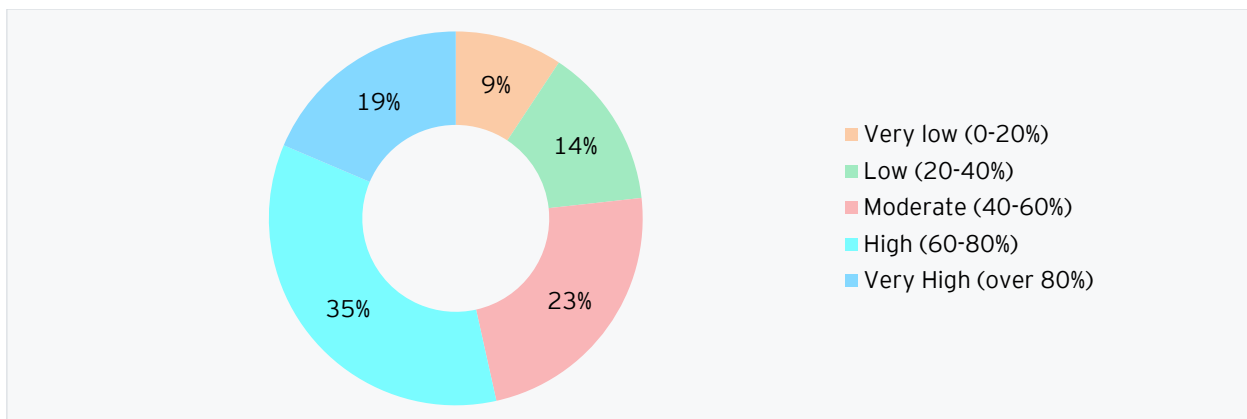
Q1 | Assuming you are a sector agnostic fund, rank the sectors in order of deal flow (Rank 1 indicating maximum deal flow and Rank 9 indicating the least deal flow).



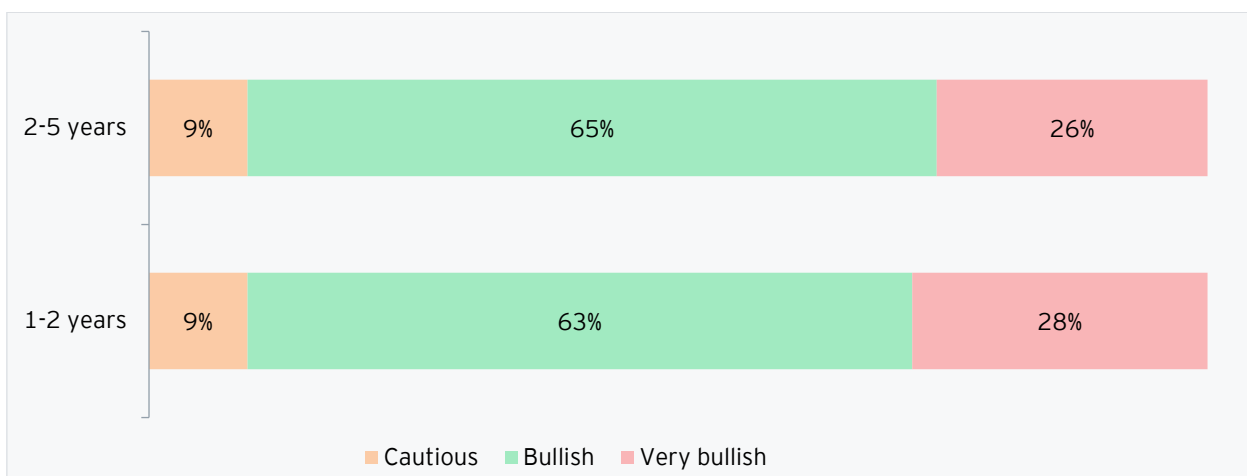
Q2 | Does India need dedicated private credit secondaries funds, and is there sufficient deal flow to support them?



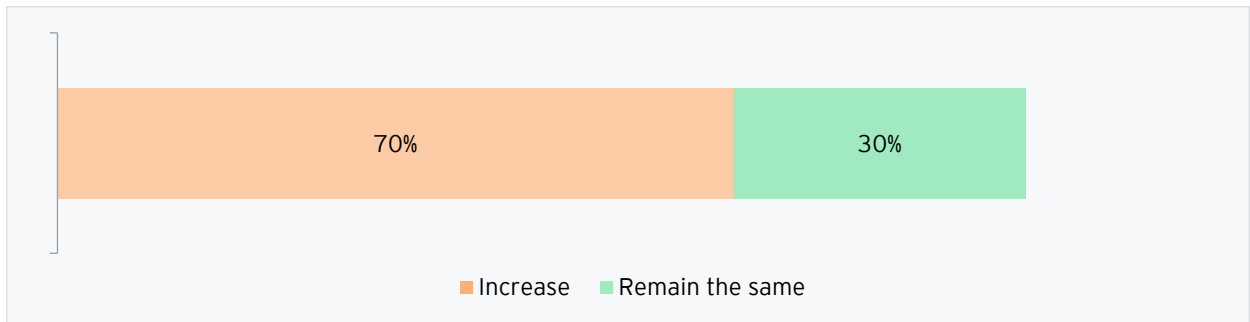
Q3 | What proportion of the private credit fund raise is contributed by investments from domestic family offices/UHNI/HNI?



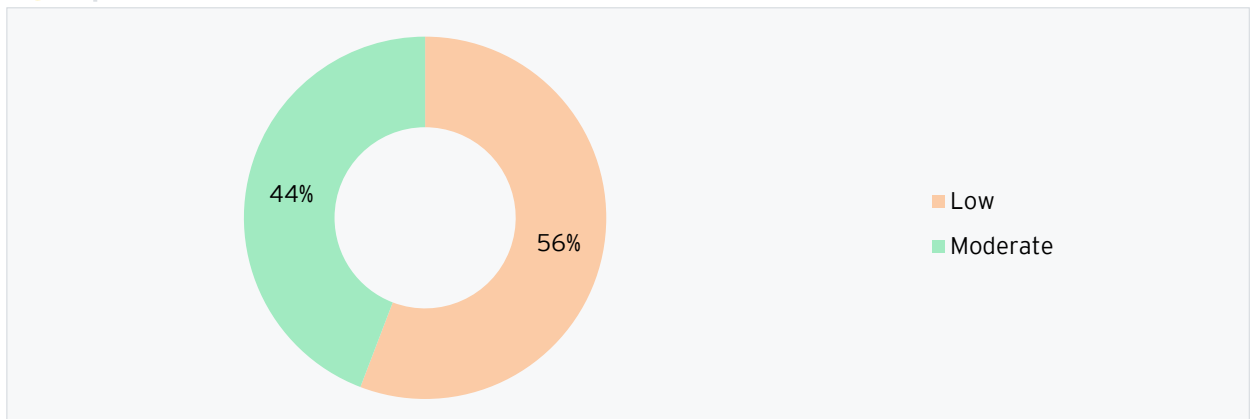
Q4 | What is the overall sentiment for private credit over the next one to two years and two to five years?



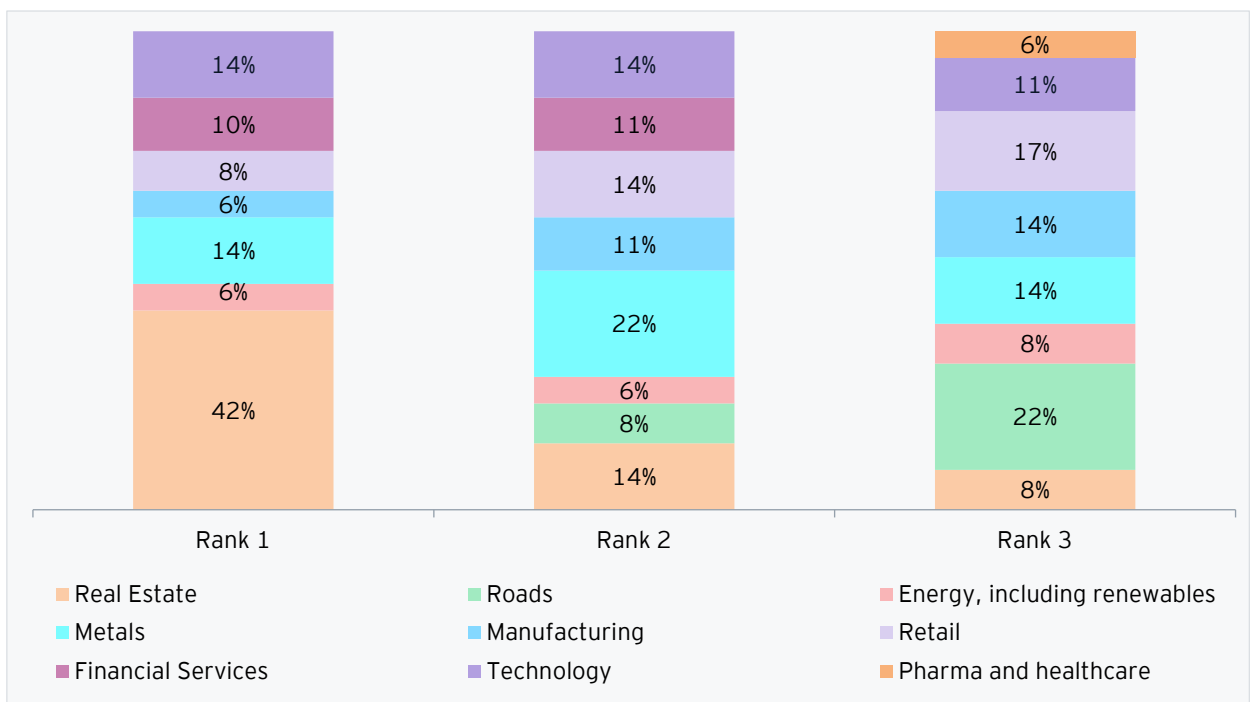
Q5 | Over the next 12 months, will the competition for private credit deals increase, decrease or remain the same?



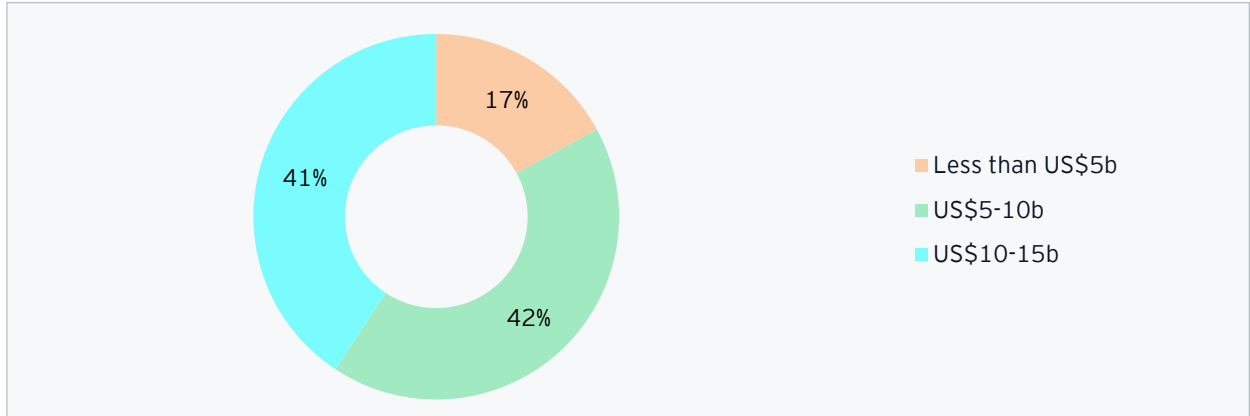
Q6 | What is your estimate of default risks residing within the current private credit portfolio in India?



Q7 | Which of the sectors within the India Private Credit portfolio are at the highest risk of default? (Rank 1 indicating highest risk and Rank 9 indicating the least risk.)



Q8 | What do you think will be the estimated total investment by private credit in the next 12 months?





EVOLUTION	METRIC	ACTUAL VS TARGET	
		ACTUAL	TARGET
REVENUE			
PROFIT			
ONTIME DELIVERY		915.8M	98.0%
AVG. ORDER SIZE		916.5M	108.0%
NEW CUSTOMERS		98.0%	95.0%
MARKET SHARE		920.5M	80.0%
CUSTOMER'S SATISFACTIONS		937000	99.0%
		65.0%	94.0%
		91.0%	99.0%

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Glossary

AIF	Alternative Investment Fund
AI	Accredited Investors
AMC	Asset Management Company
AUM	Assets Under Management
CIRP	Corporate Insolvency Resolution Process
CIV	Co-Investment Vehicles
CoC	Committee of Creditors
CPI	Consumer Price Index
CRA	Credit Rating Agencies
CRAR	Capital to Risk-weighted Assets Ratio
CRR	Cash Reserve Ratio
CY	Calendar Year
EPFO	Employees' Provident Fund Organisation
FDI	Foreign Direct Investment
FII	Foreign Institutional Investors
FME	Fund Management Entity
FPI	Foreign Portfolio Investors
FSR	Financial Stability Report
FY	Financial Year
GDP	Gross Domestic product
GNPA	Gross Non-Performing Asset
GST	Goods and Services Tax
GTR	Gross Tax revenues
GIFT City	Gujarat International Finance Tec-City
HFC	Housing Finance Company
HNI	High Networth Individuals
IBBI	Insolvency and Bankruptcy Board of India
IBC	Insolvency and Bankruptcy Code, 2016
IFSCA	International Financial Services Centres Authority
IIP	Index of Industrial Production
INR	Indian Rupee
InvIT	Infrastructure Investment Trust
IRR	Internal Rate of Return
LLP	Limited Liability Partnership
LP	Limited Partner
LODR	Listing Obligations and Disclosure Requirements





MSME	Micro, Small & Medium Enterprises
MoM	Month over Month
MPC	Monetary Policy Committee
NARCL	National Asset Reconstruction Company Limited
NAV	Net Asset Value
NBFC	Non-banking financial company
NCD	Non-convertible debentures
NCLAT	National Company Law Appellate Tribunal
NCLT	National Company Law Tribunal
NPA	Non-Performing Asset
NNPA	Net Non-Performing Asset
OECD	Organization for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
PC	Private Credit
PE	Private Equity
PFC	Power Finance Corporation
PMI	Purchasing Managers' Index
PMS	Portfolio Management Services
PPM	Private Placement Memorandum
PSB	Public Sector Banks
QIB	Qualified Institutional Buyers
RE	Regulated Entities
REC	Rural Electrification Corporation Limited
RP	Resolution Professional
SCB	Scheduled Commercial Bank
SIP	Systematic Investment Plan
SME	Small & Medium Enterprises
SOFR	Secured Overnight Financing Rate
UHNI	Ultra-High Net Worth Individuals
UNICTRAL	United Nations Commission on International Trade Law
US\$	US Dollar
VC	Venture Capital
VCS	Venture Capital Scheme
WPI	Wholesale Price Index
Y-o-y	Year over Year

All INR amount converted to US\$ at INR 86 per US\$.



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