Private credit in India

H1 2026 update

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Executive summary

The global economic environment in H1 2026 reflected increased geopolitical tensions, renewed commodity price pressures and policy uncertainty. These factors contributed to volatility across commodity, currency and capital markets. Supply-side disruptions, particularly in the energy sector, also affected economic activity and investment sentiment globally. India continued to benefit from strong domestic fundamentals, including healthy consumer demand, sustained public investment and a supportive policy environment. The economic outlook for India remains positive, supported by improving investment activity, continued infrastructure spending, a recovery in rural demand, and steady growth across major service sectors.

In H1 2026, based on the deals we track, a total of US$3.5 billion (vis-à-vis US$3.4 billion in H2 2025) was invested in private credit deals. The above figures do not include deals less than US$10 million, deals concluded solely by venture debt, foreign banks, NBFCs and offshore credit raises, which would significantly enhance the size of the market.

A notable development in H1 2026 is that domestic private credit players trumped global funds with a share of 74% of the total deal value and accounting for ~79% of the total deal count. Real estate continues to remain the dominant sector, accounting for ~35% of the total deal value, followed by Healthcare (~13%) and Food & Beverages (~12%). During this period, the Food & Beverage sector gained momentum, with relatively higher traction compared to prior periods. Key borrowers across sectors include Kalpataru's real estate arm (US$176 million) in the Real Estate sector, HyFun Foods (US$156 million) and Inspira Group's Lenexis Foodworks (US$113 million) in Food & Beverage sector, GMR Group (US$150 million) in Energy & Renewables sector, Manipal Group (US$124 million) in Healthcare sector, among others.

From a deal size perspective, transactions exceeding US$120 million accounted for 18% of the total deal value across four transactions, while deals in US$20 million to US$40 million range ranked first by deal value, contributing ~28% across 34 transactions. H1 2026 activity reflected a strong emphasis on refinancing, real estate project funding, HoldCo funding and acquisition financing.

As per the survey conducted in H1 2026, market participants remain constructive on the outlook for private credit over the next one to two years,

despite expectations of increasing competition within the industry. The survey indicated mixed views on the impact of ongoing geopolitical developments, with most respondents reporting limited impact on deployment activity. Stress-related situations, capital expenditure requirements and M&A financing emerged as key drivers of private credit demand. From a sectoral perspective, real estate continued to be viewed as carrying the highest perceived risk of default, despite remaining one of the most active segments for private credit deployment.

India's overall credit ecosystem remained strong, supported by healthy banking sector fundamentals, improving asset quality and broad-based credit expansion across key segments. Scheduled Commercial Banks entered FY27 with strong capital buffers, with CRAR at 17.7% and CET1 at 15.3%, while GNPA and NNPA ratios improved to 1.8% and 0.4%, respectively. Aggregate bank credit grew 18% year-on-year (YoY) to US$2,312 billion in May 2026.

NBFC credit growth remained resilient, supported by strong capitalization, stable profitability and continued lending across retail, MSME and microfinance segments. Aggregate NBFC credit grew 16.6% YoY as of March 2026, while retail lending remained a key growth driver. Debt mutual funds and corporate bond markets also showed improving depth, although investor preference remained tilted towards liquidity, higher-quality credit and stronger issuers.

Regulatory developments remained supportive of India's evolving private credit and restructuring ecosystem. The IBC Amendment Act, 2026 introduced measures aimed at accelerating insolvency proceedings, strengthening creditor rights, improving liquidation oversight and enhancing transaction certainty through codification of the clean-slate principle and preservation of operating licenses.

The H1 2026 private credit in India report provides a comprehensive view of India's private credit market, covering developments across the credit segments, outlining the recent regulatory changes and illustrating private credit deals and new fund raises/launches. The report also highlights recent developments in acquisition finance, provides a comparative overview of India's private credit ecosystem vis-à-vis the US and presents our take on select IBC related amendments.

01 Macroeconomic outlook

In H1 2026, the global macroeconomic environment faced rising geopolitical tensions, renewed commodity price pressures, and increasing policy uncertainty, reversing the more benign conditions observed through late 2025. Supply-side disruptions, particularly in energy markets, moderated global growth expectations, added complications to the disinflation process and heightened fiscal, trade and financial market vulnerabilities. The resulting environment has been characterized by elevated volatility across commodities, currency and capital markets, prompting investors to reassess risk, liquidity and portfolio allocation decisions.

Despite these challenges, India continued to outperform most major economies, supported by resilient domestic demand, sustained public investment, stable macroeconomic fundamentals and a supportive policy environment. India's relative macroeconomic stability, coupled with a strong corporate earnings backdrop, improving investment cycle and deepening domestic capital markets, has reinforced its position as one of the most attractive growth markets for global investors. While elevated commodity prices, capital flow volatility and external uncertainties pose near-term risks, strong economic growth, improving investment activity, a robust IPO pipeline and continued policy support position India favorably to navigate a challenging global backdrop.

Global growth faces renewed headwinds amid geopolitical shocks; India's relative outperformance sustained[1]

H1 2026 marked a clear shift from the soft-landing narrative that characterized late 2025 to a more fragile and uncertain global macroeconomic environment. The escalation of geopolitical tensions, particularly in the Middle East, triggered renewed commodity price volatility and introduced significant supply-side disruptions through energy markets. As a result, the momentum generated by easing financial conditions and technology-led investment cycles began to moderate, while inflation, fiscal and financial stability risks re-emerged across several economies.

Global growth projections for 2026 have consequently moderated to around 3.1% under the IMF's baseline scenario, with downside risks suggesting growth could slow to 2.0%–2.5% in the event of prolonged geopolitical disruptions. The slowdown has remained uneven across regions. While the US and select Asian economies continue to benefit from AI-led investment, resilient consumer spending and relatively stable labor markets, Europe faces persistent structural constraints, and China's recovery remains uneven amid continued weakness in the property sector. At the same time, several emerging and low-income economies are experiencing tighter external financing conditions, elevated borrowing costs and heightened vulnerability to commodity price shocks. Collectively, these trends have increased macroeconomic divergence across regions and reinforced investor preference for economies supported by strong domestic demand and policy stability.

Against this backdrop of slowing global growth and heightened uncertainty, India continued to demonstrate notable resilience, supported by strong domestic fundamentals. India's GDP growth is estimated at ~6.5% in 2026, underpinned by robust domestic consumption, sustained public capital expenditure, healthy corporate balance sheets and continued policy support. The growth outlook has also benefited from stronger-than-expected economic performance in 2025, favorable carry-over effects and the reduction in additional US tariffs on Indian goods from 50% to 10% for many products and sectors, which is expected to support trade and manufacturing activity.

Despite external headwinds and intermittent capital flow volatility, India continues to outperform most major economies, with high-frequency indicators pointing to sustained momentum across services, infrastructure and a gradual recovery in rural demand. The widening growth differential between India and several advanced economies, combined with an improving investment cycle and deepening capital markets, has further strengthened India's position as a preferred destination for domestic and global capital. As global investors become increasingly selective in capital allocation, India's relative macroeconomic stability and growth visibility continue to underpin its attractiveness as one of the world's most compelling long-term investment destinations.

Disinflation trend disrupted by energy shock; India retains policy space

The global disinflation process that gained momentum through H2 2025 encountered renewed challenges in early 2026 as geopolitical disruptions triggered a sharp increase in energy prices and broader input costs. The resulting commodity shock has pushed global headline inflation higher, with global inflation projected to rise to ~4.4%[2] in 2026

1 IMF World Economic Outlook, April 2026
2 IMF World Economic Outlook, April 2026

under the baseline scenario, while risks remain tilted to the upside under more adverse geopolitical and supply disruption scenarios. Higher energy, transportation and industrial input costs have begun to pass through to consumer prices, weighing on real incomes, business confidence and overall economic activity across several economies. As a result, the final phase of the global disinflation cycle has become increasingly uneven, particularly among energy-importing countries.

In India, inflation is projected to rise to 4.8%[3] in FY27, driven primarily by higher food, energy and fertilizer costs, alongside the impact of exchange-rate movements. Elevated oil and gas prices are expected to increase cost pressures across households and businesses, posing challenges to consumption and investment activity. However, inflationary pressures remain more manageable relative to several peer economies, supported by a credible inflation-targeting framework, proactive supply-side measures and continued policy emphasis on macroeconomic stability.

While the inflation outlook warrants continued vigilance, India retains greater policy flexibility than many advanced and emerging market economies. Moderating core inflation, resilient economic growth and relatively well-anchored inflation expectations provide policymakers with room to balance inflation management and growth objectives.

Global trade and investment: Resilient yet moderating momentum amid fragmentation

Global trade growth is projected to moderate from 5.0% in 2025 to 3.1% in 2026 and 2.9% in 2027[4], reflecting a combination of softer global demand, ongoing geopolitical uncertainties and persistent supply-chain disruptions. While trade activity is expected to remain supported by resilient demand in the US and parts of Asia, growth across several regions is likely to be constrained by higher energy and transportation costs, uneven economic recovery and elevated policy uncertainty. As a result, global trade continues to expand, albeit at a more measured pace than previously anticipated.

Beyond regional trade dynamics, broader structural shifts are reshaping the global economic landscape. Heightened geopolitical tensions have accelerated supply chain reconfiguration, driving greater diversification of production networks, increased regionalization and stronger South–South trade linkages. At the same time, disruptions to key energy supply routes and elevated freight costs continue to weigh on logistics efficiency, increasing input costs and extending delivery timelines. Investment trends also remain uneven, with AI-led capital expenditure supporting activity in advanced economies, while broader global investment remains subdued amid heightened uncertainty, elevated borrowing costs and constrained fiscal space.

Against this backdrop, India has emerged as a key beneficiary of evolving global trade and investment dynamics. Continued supply-chain diversification, expanding manufacturing capabilities, improving infrastructure and supportive policy initiatives have enhanced India's attractiveness as a destination for both domestic and international capital. While slower global trade growth and external demand uncertainties may create near-term headwinds for exports, strong domestic demand, sustained public capital expenditure and an improving private-sector investment cycle continue to support the broader economic outlook.

Commodity price dynamics: Energy shock reverses prior softness; volatility dominates

Commodity price dynamics in H1 2026 shifted materially from the relatively benign environment observed in H2 2025, as geopolitical disruptions triggered a supply-led tightening across energy markets and reintroduced significant volatility. After remaining broadly stable in the US$60–70/bbl[5] range through 2025, crude oil prices firmed in early 2026 amid disruptions in key producing regions and constraints on global supply.

Natural gas markets also tightened during the period, contributing to higher costs across the broader energy complex, including transportation, fertilizers and petrochemical inputs. The resulting increase in input costs has renewed inflationary pressures globally, particularly in energy-importing economies, underscoring the transmission of commodity shocks into consumer prices and broader economic activity.

Despite the supply disruptions, commodity markets were characterized more by volatility than a sustained upward price cycle. Uncertainty surrounding the duration of geopolitical tensions, the pace of supply normalization and inventory conditions resulted in sharp price fluctuations across energy markets. Across the broader commodity

3 OECD Economic Outlook, Volume 2026
4 OECD Economic Outlook, Volume 2026
5 Oil Prices in 2025

basket, trends remained mixed, with firming energy prices offset by subdued demand conditions amid moderating global growth, thereby limiting the emergence of a broad-based commodity super cycle.

Gold prices remained elevated during the period, supported by safe-haven demand, heightened geopolitical uncertainty and continued central bank purchases, reflecting a broader risk-off sentiment in global financial markets.

For India, commodity price developments remain particularly relevant given the country's dependence on imported crude oil and natural gas. While elevated energy prices continue to pose risks to inflation, corporate profitability and external balances, the impact has been partially mitigated by proactive policy measures, supply-side interventions and resilient domestic demand conditions. As a result, India remains relatively well-positioned to navigate commodity market volatility despite an increasingly uncertain external environment.

Monetary policy: Gradual easing interrupted by external uncertainties

The global monetary policy cycle in H1 2026 reflected a cautious transition following the easing phase witnessed through late 2025. Moderating inflation had enabled several major central banks to lower policy rates, with the US Federal Reserve reducing the federal funds target range to 3.50%-3.75%[6], while the European Central Bank maintained its deposit facility rate at 2.00%[7] amid improving inflation dynamics and a stabilizing growth outlook. However, the resurgence in commodity prices and heightened geopolitical uncertainty in early 2026 prompted policymakers to adopt a more data-dependent stance, limiting the scope for further aggressive easing.

The IMF has indicated that central banks are likely to "look through" temporary supply-driven inflation shocks, while remaining prepared to tighten policy should inflation expectations become unanchored. Similarly, OECD assessments suggest that policy rates are expected to remain broadly stable in the near term, as renewed inflationary pressures and elevated public debt levels constrain the pace of monetary easing. As a result, financial conditions have eased only marginally and continue to remain above pre-pandemic norms, while intermittent volatility across equity, bond and currency markets reflect elevated geopolitical and macroeconomic uncertainty.

In India, relatively contained inflation and resilient economic growth continue to support a calibrated policy stance. While domestic macroeconomic conditions provide room for policy flexibility, the RBI remains mindful of external risks arising from commodity price movements, exchange-rate fluctuations and global capital flow dynamics.

Consequently, monetary policy is expected to remain data-driven, balancing growth support with the need to preserve macroeconomic and financial stability.

IPO landscape 2026: Selective global momentum and India's pipeline-backed outlook

Global IPO[8] activity in Q1 2026 slowed sharply amid rising geopolitical tensions and higher energy prices, with deals declining 23% YoY to 230—the lowest level in six years—yet proceeds rose 36% to US$40.6 billion, underscoring a continued investor preference for larger, high-quality issuers with scale, resilience and proven business models. This shift is evident in the increase of IPOs above US$500 million alongside a sharp drop in smaller listings below US$100 million.

Regionally, China (including Hong Kong) outperformed with 68 IPOs raising US$16.7 billion, up 181% YoY, while the US saw volumes fall significantly to 27 deals even as proceeds rose 13% to US$10.2 billion, and Europe recorded an 18% decline in listings but a 48% increase in proceeds to US$6.4 billion, supported by large transactions.

In sectors, advanced manufacturing led with US$11.3 billion across 42 IPOs, followed by technology at US$8.8 billion, reflecting continued investor focus on long-term themes such as AI, infrastructure and aerospace and defense. Despite subdued activity in markets due to uncertainty and volatility, well-prepared companies continue to evaluate IPO opportunities, highlighting that while markets remain open, success increasingly depends on early preparation, robust governance and the ability to meet heightened regulatory and reporting expectations.

India's IPO market[9] has moderated in 2026 following a record-breaking 2025, with 23 companies raising over US$2.9 billion so far amid weaker market

6 US Fed Rates
7 ECB rates
8 Global IPO Trends
9 India's IPO Trend

conditions and heightened volatility. This marks a slowdown compared to 2025, when 103 companies raised US$18.9 billion, driven by strong investor sentiment and robust participation. Activity has further tapered in Q2 2026, with only four IPOs worth US$0.3 versus 19 IPOs raising US$2.7 billion in Q1, reflecting cautious market conditions. Despite this slowdown, the pipeline remains strong, with 236 IPO proposals as of May 2026, including 163 already cleared by SEBI, indicating sustained supply. Domestic investors continue to provide underlying support, with SIP inflows remaining above US$3.2 billion, helping offset foreign investor volatility. Overall, while near-term activity has softened, a robust pipeline, strong retail participation and anticipated large issuances suggest potential for recovery as market conditions stabilize.

India economic landscape: Calibrated policy supporting growth stability

The RBI, through its Monetary Policy Committee, has adopted a distinctly growth-supportive yet calibrated stance. Amid moderate inflation and stable domestic macroeconomic conditions, the RBI has combined front-loaded easing with cautious policy continuity to sustain economic momentum, improve credit flow, and support domestic demand.

The policy stance is supported by a relatively benign, though evolving, inflation trajectory. Headline CPI inflation[10] inched up to 3.4% in March, 3.5% in April and 3.9% in May 2026[11], primarily due to higher food inflation. Fuel inflation remained modest despite elevated global energy prices, as retail fuel prices saw limited pass-through, while core inflation remained stable at 3.7% during the January–April period and lower at 2.1%–2.2% excluding precious metals, indicating subdued underlying pressures. Looking ahead, inflation for this year is projected at ~5.1%[12], with upside risks from energy price volatility, supply disruptions, and weather uncertainties.

On the growth front, the RBI projects GDP growth of 6.7%[13] for FY27, reflecting confidence in domestic demand supported by private consumption and investment despite an uncertain external environment. This follows an estimated growth of around 7.5%[14] in FY26, supported by robust services activity, manufacturing expansion and resilient domestic demand. This strength is further corroborated by high-frequency indicators, which continue to signal broad-based expansion—IIP growth at ~4.9% YoY in April 2026[15], led by manufacturing (~6.2%) and sustained capital goods momentum, alongside survey-based indicators such as HSBC Manufacturing PMI (~55.0)[16] and Services PMI (~59.8)[17] in May 2026, both firmly in expansionary territory. These trends highlight strong demand conditions across both goods and services sectors, with growth anchored in domestic consumption, resilient services activity, and infrastructure-led investment.

The global environment remains challenging due to prolonged geopolitical tensions in the Middle East, which have disrupted supply chains, elevated commodity prices, and triggered financial market volatility. Rising input costs, currency pressures and tighter global financial conditions pose downside risks to both growth and inflation.

Despite these challenges, the Indian economy remains resilient, supported by steady consumption, sustained investment activity, and strong services exports. While elevated energy and logistics costs and potential trade disruptions may weigh on near-term prospects, structural strengths—including healthy corporate and financial sector balance sheets, rising capacity utilization, continued government capex, and policy support for domestic manufacturing and MSMEs—are expected to underpin medium-term growth. In this context, the RBI's calibrated stance reflects a prudent "wait-and-watch" approach, maintaining flexibility to respond to evolving risks while balancing inflation control with growth support.

FDI rebounds sharply amid persistent FPI outflows and global pressures

India's capital flow dynamics in 2026 reflected a divergence between strengthening long-term investment sentiment and continued weakness in portfolio flows amid an evolving global macroeconomic environment. FDI[18] witnessed a sharp turnaround in April 2026, with net FDI rising to

10 Monetary Policy Statement, 2026-27
11 CPI for the month of May 2026
12 Projected Inflation
13 RBI's monetary policy statement
14 RBI GDP forecast FY27
15 India's industrial output
16 HSBC India Manufacturing PMI
17 HSBC Indian Service PMIm
18 FDI Trends

US$6.6 billion, the highest level in nearly five years, following six consecutive months of net outflows up to February 2026 before recovering in March. The improvement was based on a sharp increase in gross FDI inflows, which rose 65% YoY to US$15.3 billion and more than doubled sequentially (up 131% over March 2026), accounting for over 16% of total FY26 inflows in a single month and signaling a strong revival in investor sentiment. This was despite robust outward FDI, with Indian corporates increasing overseas investments by ~42% to US$4.8 billion, while gross outflows rose at a relatively moderate 13.7% YoY to US$8.7 billion, indicating that the net FDI improvement was largely inflow-driven. Inflows remained concentrated, with over 75% from Japan, Singapore and Mauritius, while ~80% of outward FDI was directed towards the US and Cayman Islands, with over 90% concentrated in financial services, insurance, business services and manufacturing.

While long-term investment sentiment strengthened, portfolio flows continued to reflect global risk aversion and market-specific concerns. FPI flows[19] remained under sustained pressure, with net outflows of US$3.5 billion in May 2026, taking cumulative outflows to ~US$24.2 billion, significantly exceeding US$17.8 billion recorded in 2025. FPIs remained net sellers in all months except February 2026, which saw a temporary inflow of US$2.4 billion, followed by a record outflow of US$12.6 billion in March and continued selling in April ~US$6.5 billion and May, albeit at a moderate pace. The sustained outflows were due to muted corporate earnings growth, INR depreciation of nearly 6% year-to-date, and relatively more attractive investment opportunities in global markets, particularly AI-led themes and stronger earnings performance in the US, South Korea and Taiwan.

In sectors, financial services, oil and gas and telecom witnessed the most significant selling, while services, capital goods and metals attracted selective inflows, indicating a degree of portfolio rotation rather than broad-based risk-off behavior.

Pressure on portfolio flows was further exacerbated by elevated crude oil prices arising from geopolitical tensions in the Middle East. Higher energy import costs increased concerns around India's current account deficit and inflation outlook, while continued depreciation of the INR reduced dollar-adjusted returns for foreign investors and reinforced portfolio outflows. Although intermittent inflows indicated sensitivity to improving global risk sentiment, a sustained reversal in portfolio flows is likely to depend on greater stability in energy markets, moderation in crude oil prices, improved currency stability and stronger corporate earnings visibility.

In response, the RBI and the government introduced a coordinated set of measures in June 2026[20] aimed at strengthening external sector resilience and improving foreign exchange liquidity. These included the expansion of the Fully Accessible Route to 15-, 30- and 40-year government securities with tax exemptions effective 1 April 2026, enhanced NRI equity investment limits, a concessional FX swap facility for PSU external commercial borrowings until 30 September 2026, RBI-supported hedging for 3–5 year FCNR(B) deposits until 30 September 2026, and the normalization of export realization timelines to nine months from 15 months. Collectively, these measures are intended to support capital inflows, improve foreign exchange liquidity and strengthen currency stability.

19 FPI Trends

20 RBI June 2026 Measures


EXIT

02 Analysis of credit deployment and growth

2.1 Credit deployment by Scheduled Commercial Banks[21]

India's banking sector entered FY27 from a position of considerable strength, supported by further improvements in capital adequacy, asset quality, provisioning coverage and profitability. Scheduled Commercial Banks maintained healthy balance sheets, enabling continued credit expansion while strengthening resilience against potential shocks. The CRAR improved to 17.7% as of March 2026 from 17.4% a year earlier, while the CET1 ratio increased to 15.3% from 14.8%, reflecting strong capital buffers across the system. Profitability remained robust, with RoA at 1.3% and RoE at 12.6%, although both moderated from the elevated levels recorded in the previous year. Liquidity conditions remained comfortable despite some normalization, as the LCR moderated to 124.2% from 132.5%, indicating a gradual deployment of surplus liquidity to support credit growth.

Asset quality continued its multi-year improvement trajectory during FY26. The GNPA ratio declined to 1.8%, while the NNPA ratio fell to 0.4%, reflecting broad-based improvement across loan categories. The PCR remained broadly stable at 75.6%, while the annualized slippage ratio moderated to 1.2%, indicating lower incremental stress formation. Simultaneously, the SMA-2 ratio declined further to around 0.4%, and credit costs fell to 0.7%, suggesting that accelerated lending was not accompanied by a build-up in asset quality concerns.

Sectoral deployment of credit analysis (Scheduled Commercial Banks)[22]

Particulars (US$ billion)	May 2025 (a)	May 2026 (b)	Change (b-a)	Growth rate (%)
Agriculture and Allied Activities (a)	247	284	37	15%
Industry:				
MSME	130	163	32	25%
Large	292	334	42	14%
Sub-total (b)	423	497	74	18%
Services:				
NBFC	517	636	119	23%
Trade[(i)]	125	146	22	17%
Real estate	58	69	11	19%
Others[(ii)]	189	210	21	11%
Sub-total (c)	889	1,061	172	19%
Personal loans (d)	653	754	100	15%
Total (a+b+c+d)	**1,965**	**2,312**	**347**	**18%**

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

Aggregate credit outstanding increased from US$1,965 billion in May 2025 to US$2,312 billion in May 2026, representing a strong 18% YoY growth. Growth was broad-based across sectors, led by services, personal loans and industrial credit. Services credit expanded by 19% YoY to US$1,061 billion, based on robust growth in NBFC exposure (+23% YoY to US$636 billion), trade (+17% YoY to US$146 billion) and real estate (+19% YoY to US$69 billion). Personal loans also recorded healthy growth of 15% YoY to reach US$754 billion, continuing as a major contributor to overall credit expansion. Within industry, total credit rose 18% YoY to US$497 billion, supported by a strong 25% YoY increase in MSME lending to US$163 billion, while large corporate credit grew 14% YoY to US$334 billion. Agriculture and allied activities also witnessed robust growth, increasing 15% YoY to US$284 billion. Overall, the credit mix reflects broad-based lending momentum across sectors, with NBFCs, MSMEs and personal loans emerging as key drivers of incremental credit growth.

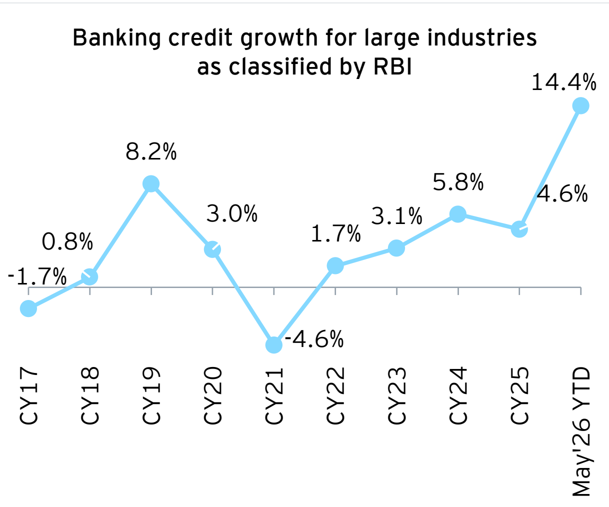
21 RBI FSR Report June 2026
22 RBI - Data on sectoral deployment of bank credit

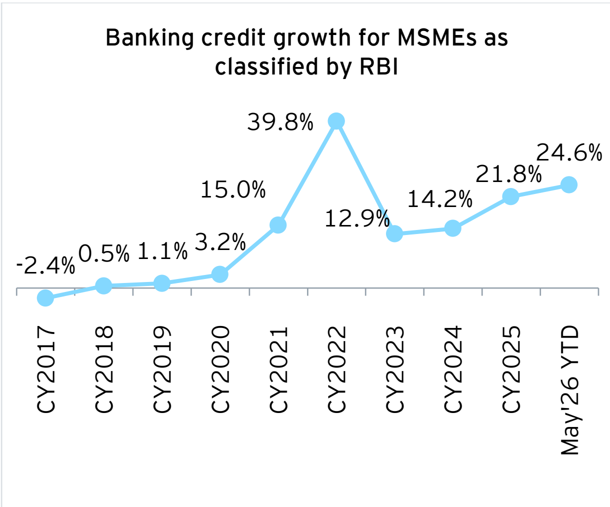
Despite strong balance-sheet fundamentals, funding dynamics emerged as a key area of focus. Banks continued to experience a gradual shift in liability composition away from low-cost CASA deposits towards relatively higher-cost term deposits and market-based funding instruments. As per the outstanding deposit mix, the share of CASA deposits declined to 37.8% by March 2026, while term deposits increased to 59.5% and Certificates of Deposit rose to 2.7%. This shift indicates a growing reliance on term deposits and wholesale funding sources, which could keep funding costs elevated.

The evolving deposit mix contributed to increased marginal funding costs across the banking system. Although monetary easing reduced the policy rate to 5.25% by March 2026, the average rate on fresh term deposits remained elevated at around 6.1%, while Certificate of Deposit rates averaged 7.2%, reflecting intense competition for deposits. The moderation in CASA balances also weakened the traditional benefits banks derived from lower funding costs during easing cycles, as consumers increasingly allocated savings to alternative investment avenues. Moreover, the gap between credit growth and deposit growth resulted in a gradual utilization of liquidity buffers, contributing to a moderation in LCR levels while remaining comfortably above regulatory requirements. Reflecting these funding pressures, net interest income growth slowed to 4.0%, highlighting the impact of higher funding costs on earnings.

To protect profitability amid funding headwinds, banks increasingly focused on higher-yield lending segments, particularly MSMEs, where credit growth remained robust while asset quality stayed resilient. This strategic portfolio shift enabled banks to partially offset pressure on net interest margins and sustain earnings despite rising deposit costs and moderating CASA balances.

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





Note: Credit growth for Large Industries and MSMEs represents y-o-y growth in outstanding credit as of May 2026, with May 2025 as the reference period

Source: RBI Sectoral Deployment of Credit Reports

Encouragingly, asset quality across priority growth segments remained stable despite strong credit expansion. Within the MSME portfolio, the GNPA ratio improved to 2.8%, supported by declining NPAs across industry and services portfolios. However, some pockets of vulnerability remained, particularly among micro enterprises, where the SMA-1 ratio increased to 2.4%, significantly higher than for small and medium enterprises. Furthermore, elevated SMA indicators in sectors such as tourism, hospitality and restaurants suggest that select MSME sub-segments warrant continued monitoring despite the broader improvement in portfolio quality.

Beyond MSMEs, developments in the microfinance sector also indicated improving credit conditions across underserved borrower segments. The microfinance sector showed early signs of recovery, supported by improving asset quality despite a continued decline in the active borrower base. Credit outstanding increased during the quarter, marking the first expansion after seven consecutive quarters of contraction. The recovery was driven primarily by NBFC-MFIs and other lending institutions, indicating a gradual revival in disbursement activity and portfolio growth. However, the sector continues to witness moderation in borrower participation, with the active borrower base declining by 2.3 million during the quarter to ~69 million, reflecting a cautious operating environment and tighter underwriting standards.

Asset quality trends remained encouraging, with the share of loans overdue by 31–180 days (DPD) declining for the fifth consecutive quarter across lender categories. Concurrently, borrower leverage indicators continued to improve, as the proportion of borrowers associated with three or more lenders fell to 9.7% in March 2026. The simultaneous improvement in delinquency and multi-lender exposure metrics suggests ongoing portfolio normalization, enhanced credit discipline, and a gradual reduction in systemic stress within the microfinance ecosystem.

Overall, India's banking sector remains well-positioned to support economic growth, underpinned by strong capitalization, resilient asset quality and broad-based credit expansion. While funding costs and the ongoing shift towards higher-cost liabilities may continue to exert pressure on margins, banks are increasingly leveraging opportunities in MSME and other high-yield lending segments to sustain growth and profitability. The sector therefore enters FY27 from a position of strength, supported by robust balance sheets and improving credit conditions across key lending segments.

2.2 Credit deployed by NBFCs[23]

The NBFC sector remained resilient in FY26, underpinned by strong capitalization, stable profitability and healthy net interest margins. Financial metrics remained robust, with CRAR at 24.6%, ROA at 2.3%, and net interest margin at 5.1%, despite a moderation in overall credit growth. Aggregate credit growth moderated to 16.6% YoY in March 2026 amid regulatory measures and a more cautious lending environment; however, retail lending remained a key growth driver, expanding by a strong 27.3% YoY. This growth was driven largely by a sharp increase in gold loans, which accounted for 17.4% of NBFC retail portfolios, highlighting a shift towards secured retail lending. Concurrently, bank lending to NBFCs rebounded, growing by 19.0% YoY in March 2026 after slowing significantly during 2024–25, supporting funding availability for the sector.

Funding profiles exhibited a notable shift towards domestic sources. Bank borrowings continued to be the primary source of funding for NBFCs, accounting for 43.5% of total borrowings in March 2026, followed by debentures (30.7%) and other borrowings (14.1%). The funding profile highlights the sector's continued dependence on bank-led financing, complemented by capital market borrowings through debentures.

While the weighted average cost of major funding sources remained relatively stable, overall cost of funds increased through FY25 before easing to 7.7% in March 2026. Foreign currency borrowings moderated significantly, with growth declining to 18.1%, compared with much higher levels earlier in the year, largely due to rupee depreciation and elevated hedging costs. As a result, foreign currency borrowings accounted for 13.9% of total borrowings, indicating a gradual reduction in external funding dependence.

Asset quality indicators showed broad-based improvement across the sector. The overall NNPA ratio declined steadily to 0.8% in March 2026, reflecting lower slippage and reduced credit costs. Credit costs fell to 4.3%, supported by lower provisioning requirements and write-offs. Slippage ratios improved across most NBFC categories, particularly among middle-layer NBFCs where stabilization became evident. Nevertheless, upper-layer NBFCs continued to exhibit relatively elevated stress levels, with annualized slippage remaining at 4.8%, compared with 3.0% for middle-layer NBFCs and 3.6% for the combined middle- and upper-layer segment, indicating that certain pockets of vulnerability persist despite the overall improvement in asset quality.

NBFCs continued to play a critical role in extending credit to underserved and priority sectors. Credit growth to the MSME sector remained robust, with lending to MSME services and MSME industry segments recording growth of 32.5% and 26.2%, respectively, by March 2026. At the same time, asset quality within MSME portfolios improved, with the GNPA ratio declining to 3.1% for MSME services and 5.4% for MSME industry. Lending to the microfinance sector also strengthened significantly, with combined credit from NBFCs and NBFC-MFIs increasing to 56.7%. Credit costs in the microfinance segment eased due to lower provisioning and write-offs, although at 4.4% they remained elevated relative to pre-stress levels, indicating that the sector is still in the process of normalization.

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Beyond traditional lending segments, fintech-enabled credit emerged as a major contributor to retail credit expansion. Fintech-linked lending emerged as a major contributor to retail credit expansion. Fintech firms strengthened their position in the small-ticket personal loan segment, increasing market share to 56.8% in March 2026, while NBFCs accounted for 30.7% and banks for 10.1% of the market. Growth in small-ticket personal loans continued largely due to fintech-originated credit, particularly among younger borrowers, with nearly half of such advances extended to borrowers below 35 years of age. However, this rapid expansion has been accompanied by rising asset quality concerns. Delinquencies in small-ticket personal loans increased across all lender categories, rising to 4.1% for banks, 5.7% for NBFCs (including HFCs) and 6.4% for fintech firms in March 2026. Furthermore, ~70.5% of fintech loan portfolios remain unsecured, making these portfolios more susceptible to deterioration during periods of economic stress.

Overall, the NBFC sector entered FY27 from a position of strength, supported by robust capital buffers, improving asset quality, declining credit costs and continued credit intermediation across retail, MSME and microfinance segments. However, rising exposure to unsecured retail lending, increasing delinquencies in certain fintech-led portfolios and persistent stress among select upper-layer NBFCs warrant continued supervisory attention. While the sector's overall risk profile remains manageable, emerging vulnerabilities associated with rapid digital credit expansion, evolving funding patterns and liquidity dynamics suggest a moderate increase in underlying sectoral risks.

2.2.1 Wholesale book of NBFCs[24]

We conducted an analysis of the wholesale lending portfolios of 15 large NBFCs, including the private-sector lending portfolios of REC and PFC. Overall, the wholesale lending book of these NBFCs increased by US$8.4 billion, representing a 12.9% YoY growth as of March 2026. This growth was primarily driven by a US$3.4 billion increase i.e., 16.2% YoY increase in private-sector lending by REC and PFC, underscoring the continued role of public-sector NBFCs in wholesale lending markets. Among the remaining 13 NBFCs, the AUMs of seven NBFCs grew by 18.3% YoY, while the AUMs of six NBFCs declined by 13.8% YoY.

2.3. Debt mutual funds

Debt mutual fund AUM increased from US$169.7 billion in March 2021 to US$205.6 billion by April 2026, following a phase of moderation between March 2022 and March 2024 and a subsequent recovery from March 2025 onward. The data reflects an evolving investor preference across liquidity, duration and credit segments, rather than uniform growth across categories.

Liquid and money market funds emerged as the primary growth drivers. Liquid fund AUM increased from US$44.9 billion in March 2021 to US$68.3 billion in April 2026, reaching a new high as investors favored highly liquid, low-risk instruments. Money market fund AUM also expanded significantly, rising from US$11.6 billion to US$36 billion, reflecting sustained demand for short-tenor products offering liquidity and attractive carry in a higher-rate environment.

Within duration-oriented categories, growth has been selective. Ultra-short, low-duration and short-duration funds remained broadly stable over the period, with AUM recovering from 2024 lows and reaching US$13.9 billion, US$14.9 billion and US$12.4 billion, respectively, by April 2026. Corporate bond funds recorded a modest increase from US$19 billion to US$20 billion. At the longer end of the curve, gilt fund AUM increased from US$2 billion to US$3.5 billion, while long-duration funds rose from US$0.3 billion to US$1.5 billion, indicating a measured willingness among investors to extend duration as interest-rate expectations became more predictable. The concurrent strength in both liquidity-oriented and long-duration categories suggests a barbell-style allocation approach, balancing liquidity needs with selective duration exposure.

In contrast, credit risk funds saw a sustained decline in AUM from US$3.5 billion in March 2021 to US$2.3 billion in April 2026, driven by investor preference for higher-quality credit, continued caution toward lower-rated debt, and the loss of indexation benefits for debt mutual funds in 2023. Banking and PSU funds also contracted materially over the period, declining from US$14.9 billion to US$8.3 billion, despite some recovery from post-2023 lows. Medium-duration, floater and medium-to-long-duration funds remained largely subdued throughout the period, reflecting limited appetite for mid-curve strategies amid lingering uncertainty over the interest-rate trajectory.

24 EY analysis

all figures in (US$ billion)

Fund category	March 2021	March 2022	March 2023	March 2024	March 2025	March 2026	April 2026
Liquid fund	44.9	47.5	56.0	44.4	47.0	50.1	68.3
Money market fund	11.6	14.1	14.4	18.2	25.0	33.6	36.0
Corporate bond fund	19.0	16.2	14.2	18	18.9	19.2	20.0
Overnight fund	10.9	15.3	14.1	7.5	6.7	7.8	11.3
Low duration fund	16.4	14.0	11.5	11.0	12.1	14.0	14.9
Short duration fund	18.2	14.6	11.4	12.1	12.2	11.9	12.4
Ultra short duration fund	11.7	10.8	11.2	10.2	10.6	12.2	13.9
Banking and PSU fund	14.9	11.8	9.1	9.9	8.5	8.0	8.3
Floater fund	7.8	9.9	7.1	6.3	5.4	5.5	5.6
Medium duration fund	3.8	4.1	3.2	3.2	2.7	2.7	2.7
Credit risk fund	3.5	3.4	3.1	2.8	2.2	2.1	2.3
Dynamic bond fund	3.2	3.1	2.8	3.9	3.8	3.5	3.4
Gilt fund	2.0	1.9	2.0	3.3	4.4	3.6	3.5
Medium to long duration fund	1.3	1.3	1.1	1.3	1.2	1.2	1.2
Long duration fund	0.3	0.3	0.4	1.6	2.2	1.5	1.5
Gilt fund (10-year constant duration)	0.2	0.2	0.2	0.6	0.5	0.5	0.5
Total	**169.7**	**168.5**	**161.9**	**154.3**	**163.4**	**177.4**	**205.6**

Source: SEBI website

2.4 Corporate bond market[25]

The Indian corporate bond market has expanded significantly over the past decade, with outstanding corporate bonds increasing from ~US$188 billion at the end of FY15 to over US$633.9 billion in FY26, representing a CAGR of around 12%. The market has increasingly emerged as an important source of long-term financing for corporates, supported by stronger corporate balance sheets, growing institutional participation and the continued development of domestic capital markets.

During FY26, corporates mobilized ~US$97.8 billion through bond issuances, an amount nearly twice the capital raised through equity markets during the same period, highlighting the growing role of bond markets in corporate fundraising. While issuance volumes moderated from the previous year, primary market activity remained robust by historical standards.

Against a backdrop of heightened global uncertainty, volatile capital flows and intermittent geopolitical disruptions, corporate bond yields exhibited a hardening bias during parts of FY26, accompanied by a modest widening of spreads. However, supportive monetary policy measures, RBI liquidity interventions and continued fiscal consolidation helped contain upward pressure on yields. Secondary market activity strengthened during the year, with average daily turnover increasing to ~US$0.8 billion, compared with US$0.7 billion in FY25, reflecting sustained investor participation and improving market liquidity.

Market activity continues to be concentrated in high-quality issuers, with ~85%-90%[26] of issuances rated AA or AAA, while financial sector entities account for nearly 70% of outstanding corporate bonds. Private placements remain the dominant issuance route, and the market continues to offer significant potential for further broadening as corporate participation expands beyond the current base of listed debt issuers.

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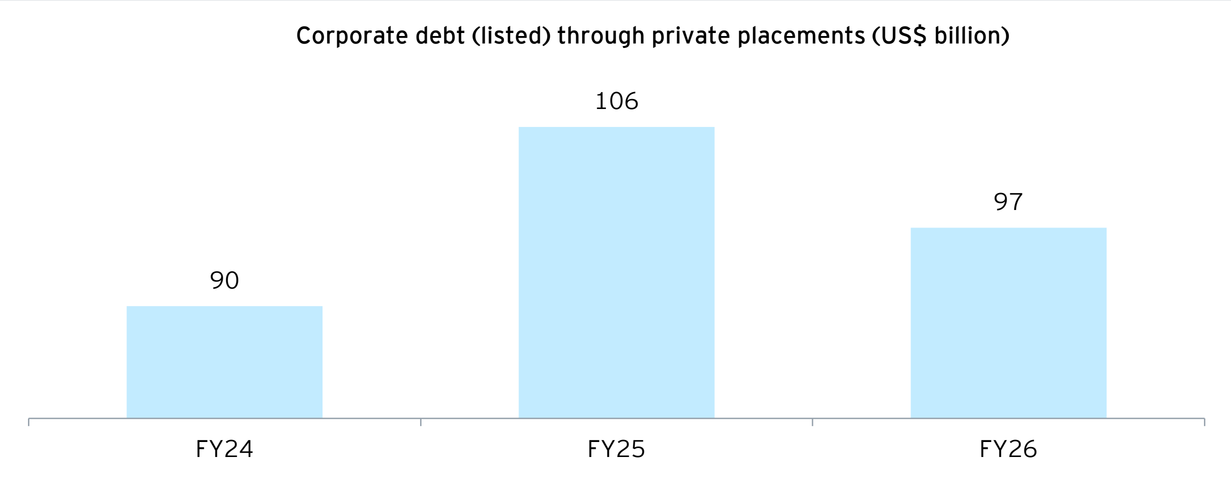
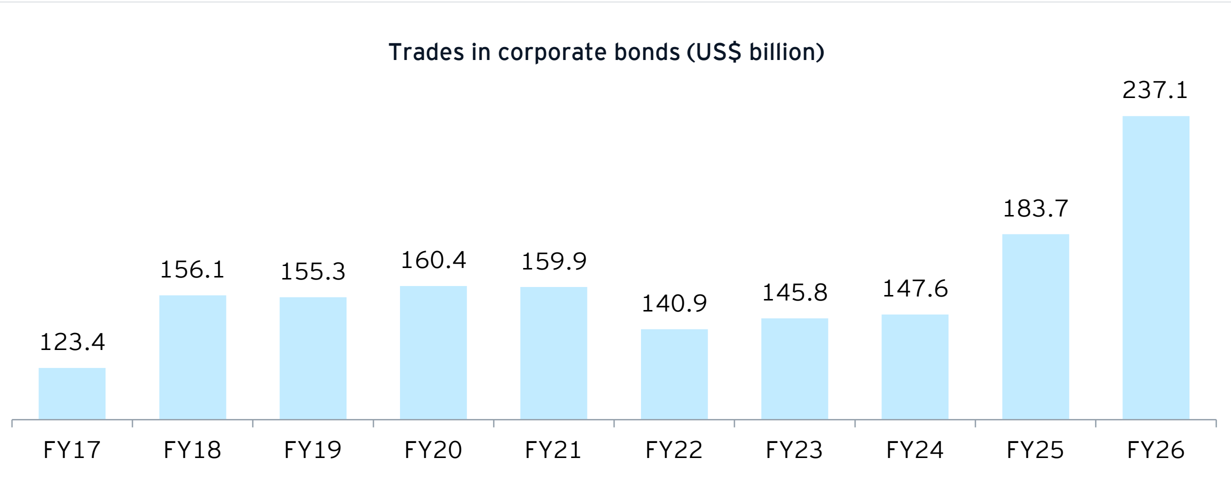
26 Sebi Chairman Tuhin Kanta Pandey Highlights Indian Corporate Bond Market



Corporate bonds yield*			
Entity (%)	**March 2025**	**March 2026**	**Change (bps)**
PSUs, FIs and Banks	7.5	7.3	-15
NBFCs	7.7	7.5	-17
Corporates	7.6	7.4	-26

*AAA-rated 3-year bonds

Note: Yields are computed as monthly averages



03 Regulatory and other developments

3.1 Insolvency and Bankruptcy Code[27]

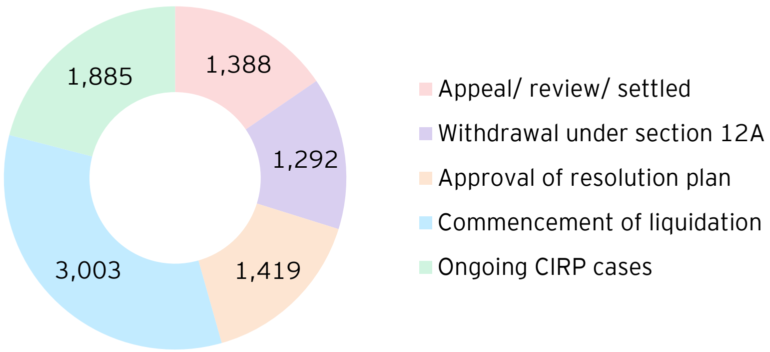
As per the IBBI's latest quarterly newsletter (as of 31 March 2026), a total of 8,987 cases were admitted under the CIRP. Of these, 7,102 cases have been concluded, and the balance remained ongoing.

Out of the concluded cases, 4,099 corporate debtors (borrowers) were rescued from insolvency proceedings, including 1,419 through approved resolution plans, 1,292 through withdrawals under Section 12A, and 1,388 through appeals, reviews, or settlements. Meanwhile, 3,003 cases culminated in liquidation.

Notably, of the 1,419 cases resolved through approved resolution plans, 200 cases involved claims exceeding US$107 million each. In Oct-March 2026, total 119 resolution plans were approved by the NCLT.

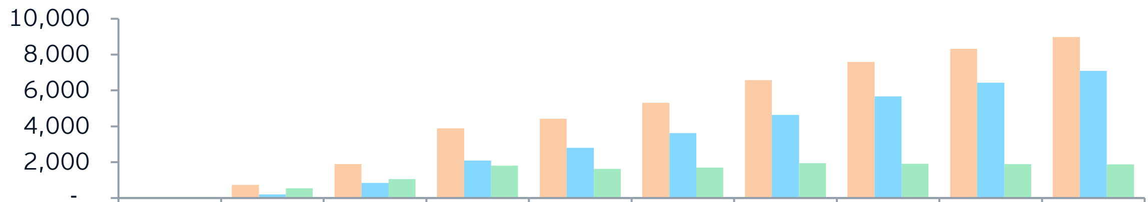
These figures reflect the continued maturation of India's insolvency framework, with a growing number of viable businesses being preserved through resolution and settlement mechanisms rather than liquidation. The sustained flow of large-ticket resolutions further underscores the increasing depth and sophistication of the distressed debt and restructuring market.

8,987 cases admitted under CIRP as on 31 March 2026



Source: Quarterly Newsletter of the IBBI - March 2026

Cumulative cases under CIRP



	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Admitted	37	744	1,901	3,893	4,430	5,322	6,584	7,588	8,322	8,987
Closed	1	206	844	2,083	2,810	3,623	4,640	5,671	6,432	7,102
Ongoing	36	538	1,057	1,810	1,620	1,699	1,944	1,917	1,890	1,885

Source: Quarterly Newsletter of the IBBI – March 2026

Between October 2025 and March 2026, 51% of the 328 cases admitted under IBC originated from the manufacturing and real estate sectors. Notably, these sectors also accounted for 55% of the resolution plans approved during the same period, underscoring their significant share in the insolvency landscape.

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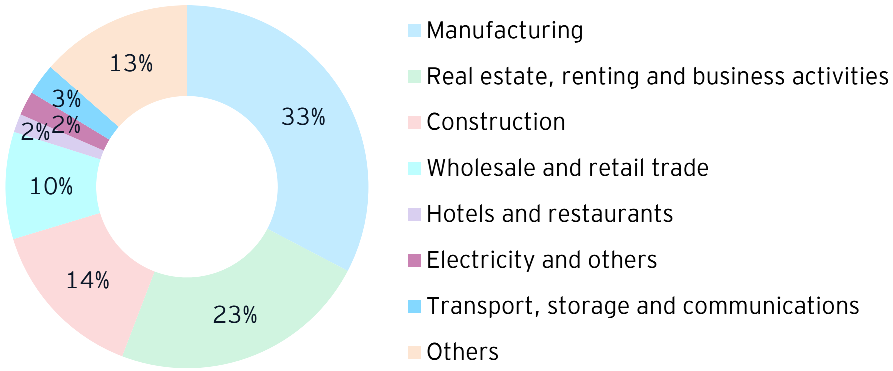
Sectoral distribution of CIRPs admitted
(Average - FY22 TO FY26)



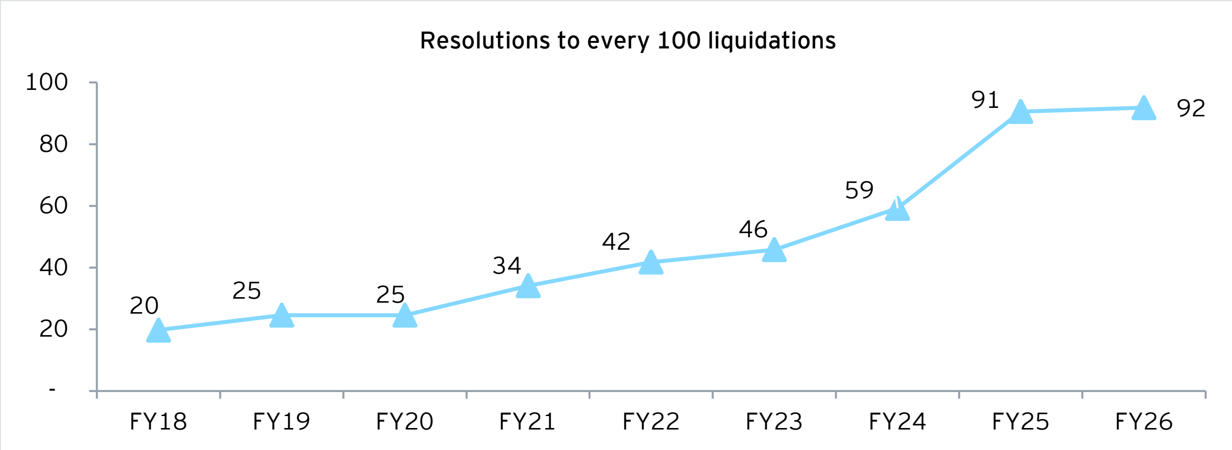
Source: Quarterly Newsletter of the IBBI - March 2026

The average time required to complete a CIRP resulting in an approved resolution plan—from admission to NCLT approval—stands at ~621 days (excluding time excluded by the NCLT on account of litigation and other process-related disruptions). This remains significantly higher than both the statutory timeline of 180 days and the maximum permitted period of 330 days, including litigation-related delays. The principal causes of delay continue to be prolonged litigation, bottlenecks in resolution plan approvals, capacity constraints arising from vacancies and limited bench strength at the NCLT, and instances of non-cooperation by corporate debtor management or promoters. Recognizing these challenges, the government has undertaken a series of measures aimed at improving process efficiency, including enhanced monitoring and compliance mechanisms, as well as the expansion of NCLT capacity to reduce pendency and case backlogs.

Cumulative recoveries under the IBC remain substantial, with banks, financial institutions and other creditors having realized ~US$46 billion against aggregate admitted claims of ~US$151 billion as of 31 March 2026, translating into a recovery rate of ~30.56%. Quarterly recovery rates, however, continue to exhibit significant volatility depending on the timing and size of individual resolutions. Recoveries stood at ~23% and ~20% in the quarters ended 31 March 2026 and 31 December 2025, respectively, compared with ~70% in the quarter ended 31 March 2025, when outcomes were materially elevated by the landmark resolution of KSK Mahanadi Power Company Limited. On a cumulative basis, recoveries across resolved cases have exceeded key valuation benchmarks, with creditors realizing 167% of liquidation value and 111% of fair value since the Code came into force. This underscores IBC’s role in preserving enterprise value, even though recoveries remain lower when measured against aggregate admitted claims.

An analysis of the 1,419 cases resolved under CIRP as of 31 March 2026 reveals that despite taking an average of 621 days for resolution (after considering the time excluded by the NCLT), the process remained relatively cost-efficient, with average costs amounting to just 1.30% of the liquidation value and 0.80% of the resolution value.

It is also noteworthy that the proportion of insolvency proceedings resulting in resolution rather than liquidation has increased materially over time. For every 100 cases resolved through liquidation, the number of cases resolved through resolution has increased from 20 in FY18 to 92 in FY26. This trend underscores the growing effectiveness of IBC as a mechanism for preserving enterprise and facilitating business rehabilitation rather than merely maximizing asset recoveries. It also reflects an increasing preference among stakeholders for resolution-led outcomes, consistent with the Code's overarching objective of ensuring business continuity and value preservation wherever feasible.



Source: Quarterly Newsletter of the IBBI - March 2026

The IBC's influence is not confined to completed insolvency proceedings. A key systemic benefit has been its impact on negotiation dynamics, with the credible threat of promoter displacement and transfer of control materially strengthening creditor leverage. This has incentivized borrowers to engage proactively with lenders at an earlier stage of financial stress, resulting in an increasing number of consensual settlements, refinancing transactions and negotiated restructurings being concluded before formal admission into CIRP. The Code has therefore operated as both a resolution framework and a deterrence mechanism, improving repayment discipline and encouraging earlier resolution of stressed exposures.

Recent noteworthy case laws

Simultaneous CIRP against principal borrower and corporate guarantor permitted

In ICICI Bank Limited v. Era Infrastructure (India) Limited, the Supreme Court held that a financial creditor may initiate CIRP simultaneously against both the principal borrower and its corporate guarantor for the same debt.

For lenders, the ruling meaningfully enhances enforcement optionality against multi-entity credit structures where corporate guarantees from parent or group entities form part of the security package.

Promoter undertaking to infuse funds does not amount to a guarantee

In UV Asset Reconstruction Company Limited v. Electrosteel Castings Limited, the Supreme Court held that a promoter's undertaking to arrange infusion of funds into a borrower to enable compliance with financial covenants does not constitute a contract of guarantee under Section 126 of the Contract Act. For an obligation to qualify as a guarantee, there must be a direct and unambiguous promise by the surety to discharge the borrower's liability to the creditor – not a promise between promoter and borrower to maintain financial discipline. Voluntary part-payments by the promoter and stray references to "guarantee" in pleadings cannot convert an undertaking into one.

The judgment is a drafting caution for lenders: promoter comfort letters, covenant support undertakings and "see to it" arrangements do not create enforceable guarantee liability unless structured as a direct promise to the creditor.

Spectrum not part of the insolvency estate

In *State Bank of India v. Union of India*, the Supreme Court held that spectrum allocated to telecom service providers is a natural resource held by the Union in public trust and is not an asset of the corporate debtor under the IBC. Sections 18 and 36(4) exclude assets over which the corporate debtor has no ownership rights; recognition of spectrum licensing rights as intangible assets in balance sheets does not confer ownership. Telecom laws and the IBC operate in parallel spheres, and the non-obstante clause in Section 238 does not displace sectoral regulation of natural resources.

The ruling is likely to influence the assessment of assets available in resolution processes involving sectors that rely on State-granted licenses over natural resources. The interplay between this position and the recently introduced Section 31(5), which provides for license continuity upon approval of a resolution plan, is expected to evolve further as the framework is tested in practice.

Benami Act attachments outside NCLT jurisdiction

In *S. Rajendran v. Deputy Commissioner of Income Tax*, the Court held that the NCLT and NCLAT have no jurisdiction to adjudicate challenges to attachments under the Benami Transactions (Prohibition) Act. The Benami Act is a self-contained code, and the IBC does not override it; only assets beneficially owned by the corporate debtor form part of the liquidation estate.

This judgment reinforces that the resolution estate is not a shield against parallel statutory attachments. Diligence on undisclosed benami holdings is particularly relevant for resolution applicants in the real-estate sector.

Parallel remedies do not bar Section 7 initiation

In *Elegna Co-operative Housing and Commercial Society v. Edelweiss Asset Reconstruction Company*, the Supreme Court held that a housing society has no locus standi to intervene in Section 7 proceedings before admission and reiterated that the availability of parallel remedies under SARFAESI or RERA does not bar the initiation of CIRP. The IBC remains a framework for resolution, not recovery, and the presence of recovery proceedings elsewhere cannot be pressed as a defense to admission.

For lenders with real-estate exposures, the ruling confirms that a running SARFAESI enforcement or RERA proceedings cannot be used to resist Section 7 admission where default is established.

The Insolvency and Bankruptcy Code (Amendment) Act, 2026

The Insolvency and Bankruptcy Code (Amendment) Act, 2026 received Presidential assent on 6 April 2026, and was substantially brought into force on 26 May 2026. Most provisions are now operational, although the CIIRP framework, group insolvency and cross-border insolvency provisions remain pending notification and supporting regulations.

For private credit participants, the amendments are relevant in three areas: existing CIRP and liquidation reforms now in force; the CIIRP regime, enacted but not yet operational; and enabling provisions for group and cross-border insolvency.

A. CIRP and liquidation reforms

The amendments are intended to accelerate insolvency proceedings, reduce litigation-related delays and strengthen creditor rights.

- NCLTs must dispose of Section 7 applications filed by financial creditors within 14 days. Admission is mandatory where default is established, the application is complete and no disciplinary proceedings are pending against the proposed resolution professional.
- Records of default filed with information utilities by financial institutions are deemed sufficient evidence for establishing default.
- Section 12A withdrawals are now permitted only after constitution of the CoC and before issuance of the first invitation for submission of resolution plans, while retaining the 90% CoC approval threshold.
- A one-time restoration of CIRP is permitted where no resolution plan has been received or a submitted plan is rejected, with the restored process required to be completed within a maximum period of 120 days.
- During liquidation, a moratorium will apply and the CoC is granted an ongoing supervisory role, including the ability to replace the liquidator with a 66% voting threshold.
- Liquidation must generally conclude within 180 days, extendable once by up to 90 days.
- Secured creditors seeking to realize security outside the liquidation estate must notify the liquidator within 14 days of the liquidation commencement date, failing which the security interest is deemed relinquished to the liquidation estate.
- The Act codifies the treatment of dissenting financial creditors by requiring payment of at least the amount prescribed under Section 30(2)(ba), linked to liquidation and Section 53 waterfall entitlements.
- Licenses, permits, registrations, concessions and similar governmental approvals associated with the business survive approval of a resolution plan, subject to ongoing compliance with applicable conditions.
- The "clean slate" doctrine has been codified, extinguishing pre-resolution claims against the corporate debtor and its assets upon approval of a resolution plan, subject to specified exceptions and matters that have attained finality.

Implications for lenders

The reforms are broadly creditor friendly. Faster admission timelines and greater reliance on information utility records should reduce procedural delays and evidentiary disputes at the admission stage.

However, the narrower Section 12A withdrawal window reduces flexibility for bilateral settlements following admission and may require lenders to resolve restructuring discussions either before filing or through a constituted CoC process.

The introduction of CoC oversight during liquidation, together with streamlined timelines, is expected to strengthen process discipline and support value preservation.

Secured creditors will need robust enforcement and monitoring procedures, as failure to provide the required 14-day notice could result in deemed relinquishment of security rights and participation in the liquidation waterfall instead of independent enforcement.

Implications for resolution applicants

The statutory recognition of the clean-slate principle materially reduces legacy liability risk and increases certainty around post-acquisition exposure, making distressed acquisitions more attractive.

The protection afforded to licenses, permits, concessions and registrations is particularly significant in regulated sectors such as power, telecoms, mining, infrastructure and pharmaceuticals, where continuity of regulatory approvals is often central to enterprise value.

In addition, mandatory timelines for NCLT approval of resolution plans and the ability to obtain Competition Commission of India approvals after CoC approval but before submission of the resolution plan to the NCLT should improve execution certainty and reduce transaction timetables.

Key takeaway for private credit and special situation investors

The amendments collectively strengthen enforcement rights, improve predictability of recoveries and reduce process-driven value leakage. The most significant benefits for private credit investors are likely to be:

- faster admission of insolvency proceedings;
- stronger evidentiary support through information utilities;
- enhanced creditor oversight in liquidation;
- greater certainty around security enforcement; and
- increased transaction certainty through codification of the clean-slate doctrine and preservation of operating licenses.

B. Creditor-Initiated Insolvency Resolution Process

The new Chapter IV-A (Sections 58A–58K) introduces a creditor-led, debtor-in-possession restructuring framework intended primarily for smaller eligible corporate debtors, with below key features:

- Availability only to corporate debtors and financial creditor classes notified by the central government.
- Initiation by eligible financial creditors holding at least 51% of the relevant class of financial debt.
- A mandatory 30-day notice period to the debtor before commencement.
- Continued management control by the existing board, subject to supervision by the resolution professional.
- No automatic moratorium: relief must be sought from the NCLT.
- Completion within 150 days, extendable once by 45 days.
- Mandatory conversion into a standard CIRP if the process fails or debtor cooperation is not forthcoming.

CIIRP essentially shifts insolvency from a court-led process to a negotiation-led one. In practice, negotiations between creditors and incumbent management would begin well before formal initiation and unfold in a structured manner involving better transparency, commercial negotiations and inter creditor alignments.

Instead of immediately displacing management, CIIRP seeks to preserve enterprise value by allowing the debtor's management to continue running the business, while the resolution professional acts as a monitor, facilitator and safeguard for creditor interests. In that sense, the process moves from enforcement to engagement, and from adversarial resolution to commercially negotiated outcomes.

Effectiveness of the framework depends on cooperation between lenders and incumbent management, which may be a challenge. The absence of an automatic moratorium can expose the process to disruptive enforcement action, including by operational creditors. The resolution professional's ability to investigate avoidance transactions may be impacted because management remains in control of information and records. Compressed timelines and limited market testing may also create risks of information asymmetry and inadequate price discovery unless supported by strong creditor oversight and a credible challenge mechanism.

At the time of this report being published, CIIRP is yet to be operational, as notifications identifying eligible debtors and creditors, along with implementing regulations, are still awaited.

Overall, CIIRP could support faster and less disruptive resolutions for viable stressed businesses, provided the framework is implemented with sufficient clarity and safeguards. Its practical effectiveness will depend, in part, on how eligible creditor classes are defined. Extending access to a broad set of regulated financial creditors, including banks, NBFCs, ARCs and SEBI-regulated AIFs, may help improve institutional participation and make the framework more relevant as a restructuring option.

C. Group and cross-border insolvency

The Act introduces enabling provisions for both group and cross-border insolvency.

- Section 59A authorizes the government to establish a group insolvency framework, including procedural coordination, common insolvency professionals, coordinated CoC processes and joint proceedings.
- Section 240C empowers the government to introduce cross-border insolvency rules governing recognition of foreign proceedings, relief measures, and judicial cooperation.

Once these provisions are implemented, they are expected to enhance enforcement certainty for creditors financing multinational groups or cross-border structures.

3.2 Liberalizing the External Commercial Borrowings regime: RBI's proposal to re-energize Foreign Lender Participation

The RBI issued the Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026, significantly liberalizing India's ECB framework. The amendments expand the borrower and lender universe, remove prescribed borrowing cost ceilings, relax end-use restrictions and permit ECB proceeds to be used for strategic acquisitions resulting in control of a target entity.

From a private credit perspective, the reforms are noteworthy as they broaden the avenues through which Indian corporates can access offshore capital and create a more flexible framework for cross-border lending and acquisition financing.

Key changes include:

- Expansion of eligible borrowers to include a wider range of Indian entities, including LLPs and entities undergoing restructuring or insolvency proceedings, subject to specified conditions.
- Removal of prescribed all-in-cost ceilings, with borrowing costs now required to be aligned with prevailing market conditions
- Permission to utilize ECB proceeds for mergers, demergers, amalgamations and acquisitions resulting in control of a target entity, provided the transaction is undertaken for strategic purposes and long-term value creation.
- Greater flexibility for refinancing and repayment of existing debt, including specified domestic borrowings.
- Proceeds may be utilized for construction and development projects, industrial parks, infrastructure sector activities, specified own-use acquisitions of land, and real estate broking services. *(Not permitted for land purchase)*

The reforms represent one of the most significant liberalizations of the ECB regime in recent years and are expected to enhance the attractiveness of offshore credit as a funding source for acquisitions, refinancing transactions and corporate growth initiatives. The ability to utilize ECB proceeds for acquisition-of-control transactions aligns the ECB framework more closely with evolving financing requirements in the M&A market, providing borrowers with an additional funding avenue alongside domestic bank financing and private credit solutions.

3.3 Development in Alternate Investment Funds framework

H1 2026 was characterized by tax law simplification and targeted regulatory changes for AIFs, InvITs and lenders regulated by the RBI. The tax developments were primarily simplification and transition oriented, while the regulatory developments were broadly facilitative for AIF launches, AIF wind-up mechanics and infrastructure financing, alongside continued RBI scrutiny of lender conduct and governance.

On the regulatory side, SEBI's measures were broadly facilitative for AIFs and infrastructure platforms. The fast-track mechanism for AIF placement memorandum can improve launch timelines, while the AIF wind-up and Inoperative Fund framework addresses a practical challenge faced by closed-ended and recovery-oriented funds.

Separately, SEBI's InvIT borrowing circular may support financing opportunities in infrastructure credit, subject to strict end-use discipline.

Key updates

Income-tax Act, 2025 and Income-tax Rules, 2026

The new Income-tax Act, 2025 and Income-tax Rules, 2026 have become the operative direct tax framework from 1 April 2026. Income-tax Act, 2025 replaced the Income-tax Act, 1961, with a simplified structure and transition rules intended to preserve continuity for matters such as tax credits, losses and proceedings.

There is no significant change with respect to taxation of the funds, though some changes in administrative aspects are important.

PAN and non-resident investor onboarding for Category I and Category II funds set up in International Financial Services Centre

Rule 157 under the Income-tax Rules, 1962 broadly retained the PAN exemption framework but the definition of "specified fund" was narrowed in a way that could affect Category I and Category II AIFs in IFSC.

A notification has been issued on 21 July 2026 clarifying that specified funds shall include Category I and Category II AIFs regulated under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 or the International Financial Services Centres Authority (Fund Management) Regulations, 2022 and which is located in any IFSC.

This amendment is in line with the intent of removing administrative hassles for non-resident investors investing in GIFT Funds which was already a part of the Income-tax Rules, 1962 and appears to have been an inadvertent omission in the Income-tax Rules, 2026.

Introduction of the fast-track mechanism for AIF placement memorandum by SEBI

SEBI issued a circular on 30 April 2026 introducing a fast-track mechanism for processing placement memorandum of AIFs filed with SEBI. The SEBI circular frames the measure as an ease-of-doing-business step for processing AIF placement memorandum. The circular provides as follows:

- For schemes which are non-Large Value Fund schemes, AIFs can proceed with launch of their new schemes and circulate the PPM to their investors for soliciting funds after 30 days of filing of application with SEBI, unless otherwise advised. In case of first scheme of AIFs, it is clarified that AIFs can proceed with launch of such schemes from the date of grant of SEBI registration or after 30 days of filing of application with SEBI, whichever is later;
- Comments, if any, provided by SEBI during this period of 30 days shall be complied with by Merchant Banker/ AIF prior to launch of the scheme/circulation of PPM.

On 14 July 2026, the Securities and Exchange Board of India (Alternative Investment Funds) (Second Amendment) Regulations, 2026, was notified (Amendment Regulations 2026). The Amendment Regulations 2026 gives effect to the GARUDA mechanism approved on 19 June 2026, by SEBI's Board.

The GARUDA mechanism which has now been incorporated in the SEBI AIF Regulations by the Amendment Regulations 2026, reduced the 30-day period provided for by the April circular (for existing AIFs to launch new schemes) to 10 working days. The Amendment Regulations 2026 also exempted Accredited Investors Only Funds from Regulation 12(2) and 12(3) of the SEBI AIF Regulations. Until now, this exemption was available only for large value funds. Angel Funds have also been given a similar exemption.

This is positive for private credit managers using Category II AIFs or special situation-oriented AIF structures. Faster processing can improve launch certainty and enable managers to align fund launches with market windows. At the same time, the process increases the practical importance of filing-quality documentation and diligence by the manager, sponsor and merchant banker.

SEBI proposes to replace "associate" with "related party" for identifying conflicted transactions in the SEBI AIF Regulations

A consultation paper issued on 30 June 2026, by SEBI (Consultation Paper) proposes to amend the SEBI AIF Regulations) to (i) rationalize the manner and threshold for obtaining investor consent, and (ii) replace the current narrow "associate"-based test with a broader "related party" framework (based on the definition in Section 2(76) of the Companies Act, 2013) for transactions involving material conflicts of interest.

The term "associate" is defined in the SEBI AIF Regulations by reference to a shareholding test. A company, limited liability partnership or body corporate is an "associate" if more than 15% of its paid-up equity share capital or partnership interest is held, either individually or collectively, by any of the following persons:

- a director, trustee or partner of the AIF; or
- the Sponsor or the Manager of the AIF; or
- a director or partner of the Manager or the Sponsor.

The term "associate" is used across the SEBI AIF Regulations to prescribe safeguards for activities and transactions that carry an inherent conflict of interest.

SEBI has observed in the Consultation Paper that the current definition of "associate" is narrow and leaves out several transactions which are inherently conflicted and would require investor consent. The Consultation Paper gives examples of transactions which do not trigger the investor consent requirement under the extant framework.

Therefore, Consultation Paper proposes to replace the term "associate" with the term "related party" in a number of provisions dealing with conflict of interest or conflicted transactions, though in a few instances, the existing reference to "associate" is to be retained where such broader coverage is not warranted. The proposed definition of 'related party', which is borrowed from Section 2(76) of the Companies Act, 2013, identifies related parties through a list of relationships and is given in Annexure D of the Consultation Paper.

The proposed shift from 'associate' to 'related party' will align the AIF Regulations with other SEBI regulations such as SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the SEBI (Portfolio Managers) Regulations, 2020, the Real Estate Investment Trusts and InvIT Regulations. While the existing definition of 'associate' extends to entities connected with the director, trustee or partner of the AIF, the proposed definition of 'related party' is confined to the manager and sponsor of the AIF. SEBI has consciously excluded transactions involving related parties of the trustee of the AIF or director and partner of the AIF (in case AIF is set up as a company or LLP) from the ambit of conflicted transactions requiring investor approval. According to the Consultation Paper, this exclusion is based on the limited role performed by these entities in the day-to-day management and investment decisions of the fund. The proposal therefore seeks to align the scope of the conflict management framework with those entities who are capable of influencing investment decisions.

The Consultation Paper was open for public comments until 21 July 2026. Once these changes are introduced in its final form, one will need to review the impact on the transactions entered into by the AIFs.

SEBI guidelines for winding up AIFs and Inoperative Fund status

SEBI issued guidelines on 16 June 2026 for winding up AIFs with respect to retention of proceeds and Inoperative Fund status.

The guidelines provide that AIFs and schemes of AIFs may retain liquidation proceeds beyond the end of permissible fund life (which is the end of the liquidation period or the dissolution period, as the case may be), provided one of the following three conditions are satisfied:

- Demonstrable receipt of a litigation notice or demand by the AIF/scheme of AIF, which includes any official written communication from a tax authority, regulatory authority, law enforcement agency, court of law, or from an investor or counterparty in relation to litigation, which indicates a potential tax, regulatory or legal liability. This shall include show-cause notices, reassessment notices, investigation summonses, or similar communications and shall not be restricted to crystallized demand notices;
- Consent obtained from at least 75% of the investors by value of their investment in the

scheme, in cases where proceeds are proposed to be retained on account of anticipated

- liabilities arising due to a possible/probable litigation or tax demand. In cases where monies are being retained by an AIF under this ground, the manager of the AIF shall disclose the amount being retained and the estimated time period for which it is proposed to be retained to the investors of the fund while seeking their consent for retention;
- Substantiation of amounts retained for meeting residual winding-up-related operational expenses, through invoices, supporting documents or records of comparable expenses incurred in previous years. In cases where monies are being retained by an AIF on this ground, the time period for such retention shall not exceed three years from the end of the permissible fund life of the AIF/scheme of the AIF.

An AIF may apply for "Inoperative Fund" status in the following circumstances:

- One or more schemes of the AIF have retained monies from their liquidation proceeds in accordance with the guidelines; or
- AIF intends to retain its registration solely in anticipation of a favorable outcome of a pending litigation, even though the schemes of the AIFs have not retained monies from their liquidation proceeds.

The application for 'Inoperative Fund' status should be submitted to SEBI by emailing inoperativeaif@sebi.gov.in in the format specified. Once SEBI approves the AIF's application, the AIF will be tagged as an 'Inoperative Fund'.

Once an AIF is tagged as an 'Inoperative Fund':

- The monies retained by scheme(s) of such AIF shall be invested in accordance with Regulation 15(1)(f) of the SEBI AIF Regulations (i.e., in temporary investments);
- No new schemes shall be launched by the AIF;
- AIF cannot charge any management fees in respect of any of its scheme(s).

Further, various compliance obligations fall away once the AIF is tagged as an 'Inoperative Fund'.

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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 13 partners

Asset reconstruction companies

Delivering innovative and creative solutions to achieve exceptional results

Pioneers in the Debt and Special Situations space

We have worked across sectors in debt and special situations in recent times

Debt

Network Infrastructure Company

Successfully raised ~US$270 million term loan for PE backed network infra company from bank for setting up new infrastructure linking data centres across various hubs

Renewsys India Private Limited

Successfully raised ~US$210 million from a mix of private and public sector banks for funding capital expenditure related to the expansion of manufacturing facilities and installation of new production lines and working capital purpose.

Sadbhav Engineering Limited

Successfully assisted in the implementation of a Resolution Plan involving debt of ~US$160 million under the RBI Prudential Framework (June 2019) with the approval of majority lenders.

HyFun Foods Private Limited

Successfully raised ~US$150 million to support expansion-led capital expenditure and associated working capital requirements.

JBM Ecolife Mobility Private Limited

Successfully raised ~US$80 million from Motilal Oswal Alternatives to support the acquisition, operation, and rolling deployment of zero emission buses operating under long term agreements with state transport authorities.

IREO Private Limited

Facilitated the 12A withdrawal along with raising new capital of ~US$ 55 million from a lender, while also settling the exposure of the existing lender.

Special situations

Dalmia Cement (Bharat) Limited

Advised Company on its acquisition of the cement assets of Jaiprakash Associates Limited at a total purchase consideration of ~US$305 million.

Hotel Horizon Private Limited

Advised on the resolution of under-construction beachfront hotel project in Mumbai, resulting in ~70% recovery for secured lenders on claims exceeding ~US$130 million.

Seven Hills Healthcare Private Limited

Supported the Resolution Professional of Seven Hills Healthcare on sale of its Mumbai Hospital to Capri Global, backed by Reliance Industries Limited. The aggregate transaction value exceeds ~US$105 million.

Rajesh Business and Leisure Hotels Private Limited

Supported the Resolution Professional for IBC proceedings where Resolution Plan was submitted by a consortium of Resolution Applicants - Rare Asset Reconstruction Company Limited in consortium with Check Inn Hotels Private Limited. The Total plan value is ~US$75 million.

Two steel manufacturing companies

Appointed as the Cash Flow Monitoring Agency for two steel manufacturing companies following its fund raise from Private Credit Fund. EY will oversee fund utilization, monitor business performance, and track CAPEX deployment to ensure effective use of capital.

04 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:

Kotak Alternate Assets Management Limited's Funds:

- Kotak Real Estate Fund has secured US$691 million in H1 2026. The fund focuses on real estate credit and investment opportunities, seeking to capitalize on funding requirements across residential, commercial, and mixed-use developments.
- Kotak Yield & Growth Fund has raised US$496 million. The fund focuses on real assets and seeks to generate attractive risk-adjusted returns through structured investments backed by tangible asset classes.
- Kotak Life Sciences Fund has secured total commitments of US$42 million in H1 2026.

Structured Credit Fund III of Avendus has raised US$290 million. The fund focuses on structured credit opportunities and aims to support businesses requiring growth capital, acquisition financing, and other bespoke funding solutions. [28]

Motilal Oswal Alts' India Credit Excellence Fund - I has raised US$183 million. The fund focuses on credit opportunities across sectors, targeting businesses seeking flexible financing structures beyond traditional bank lending. [29]

HDFC's Structured Credit Fund-I has secured commitments of US$139 million. The fund's strategy is centered on structured credit transactions, offering bespoke financing solutions to corporates across diverse industries. [30]

InCred's Special Opportunities and Credit Opportunities Funds:

- InCred Credit Opportunities Fund – III secured commitments of US$35 million in H1 2026, in addition to US$64 million raised up to H2 2025. The performing credit fund targets deployment ticket sizes of up to US$11 million and a target IRR of up to 17%.
- InCred Special Opportunities Fund – I raised US$31 million in H1 2026, in addition to US$131 million raised up to H2 2025. The special situations fund targets deployment ticket sizes of up to US$16 million and a target IRR of up to 23%. The fund announced its final close at US$162 million on 31 March 2026.

IIFL Capital Credit Opportunities Fund has raised US$69 million. The fund is expected to focus on special situations requiring bespoke capital solutions.

RevX Special Credit Opportunities Fund I has secured commitments of US$47 million. The fund is expected to focus on special credit opportunities, with deployment ticket sizes ranging from US$3 million to US$11 million, targeting opportunities that require customized capital solutions.

Vivriti's Diversified Bond Fund – Series II has secured commitments of US$32 million. The fund seeks to provide diversified credit exposure across a broad set of issuers and sectors while generating stable income-oriented returns.

VentureSoul Capital Fund I - Scheme 1 has raised US$11 million. The fund targets a gross IRR of 18%–20% and focuses on providing structured debt capital to new-age businesses across a range of use cases, including growth financing, consolidation initiatives, shareholder liquidity events, ESOP buybacks, and international expansion.

New fund launch

Vivriti Asset Management has expanded its AIF with launch of Diversified Bond Fund III with launch of US$537 million (including green-shoe option) private credit fund. The AIF platform will offer capital to mid- to large-sized companies. [31]

Modulus Alternatives has expanded its AIF with launch of Modulus Credit Opportunities Fund III with launch of US$215 million (including green-shoe option) performing private credit funds. The AIF platform will offer specialized pools of capital to mid-market companies across various sectors. [32]

Primus Securities has launched Prime Litmus Real Estate Opportunities Fund with corpus of US$108 million (including green-shoe option). This AIF platform will offer capital to under construction real estate projects. [33]

28 Avendus raised US$290 million
29 Motilal Oswal Alts' raised US$183 million
30 HDFC Capital raised US$139 million
31 Vivriti Asset Management Fund Launch
32 Modulus Alternatives' Fund Launch
33 Primus Securities Fund Launch

4.2 Deals during H1 2026

Important information: In this section, we have reported and analyzed private credit deals that were concluded in H1 2026. The data presented below is based on publicly available information and is limited to the deals we track. 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.

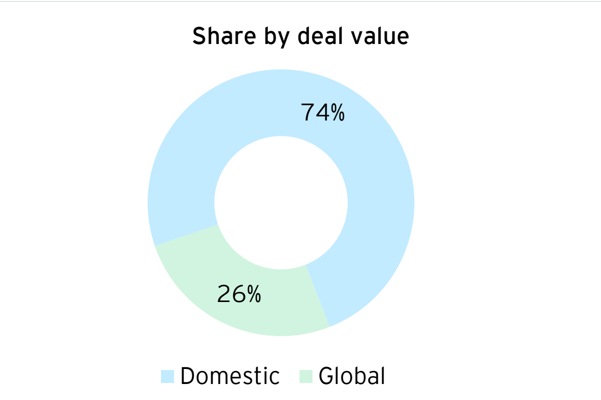
The deal values are based on regulatory filings and hence, in cases where deals have been announced but filings are pending, there may be a lag in reporting the data. Lastly, given the opaque nature of the structured finance market and the lack of any formal and precise definition and wide-ranging investment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

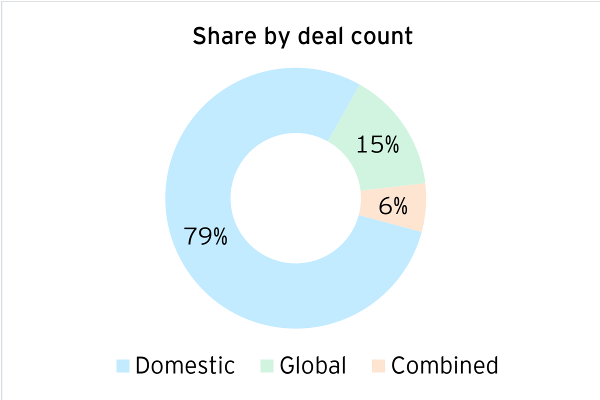
H1 2026 recorded 102 private credit deals above US$10 million, aggregating ~US$3.5 billion, broadly in line with deployment in H2 2025 and significantly lower than US$9.0 billion recorded in H1 2025 (buoyed by the US$3.1 billion refinancing transaction by the Shapoorji Group). While aggregate deployment remained broadly in line with H2 2025, deal count increased from 87 transactions in H2 2025 to 102 transactions in H1 2026.

Key transactions during the period included US$176 million raised by Kalpataru's real estate arm for refinancing of existing debt, US$156 million raised by HyFun Foods Group for refinancing and working capital requirements, and US$150 million secured by GMR Group for funding group companies. Overall, private credit activity in H1 2026 remained steady compared with H2 2025, although deployment moderated materially relative to H1 2025. Similar to H2 2025, the market continued to witness participation from a diversified investor base, including mutual funds, insurance companies, pension funds, foreign banks and NBFCs.

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 2026. Global funds comprise institutions headquartered outside India with a multi-country presence. Meanwhile, domestic funds are those headquartered in India.





Global funds' share of private credit deal value declined from 68% in H1 2025 to 36% in H2 2025, and further to 26% in H1 2026. In contrast, domestic funds accounted for 74% of total deal value during H1 2026, reflecting a marked increase in deployment by domestic funds and underscoring their growing relevance within India's private credit market.

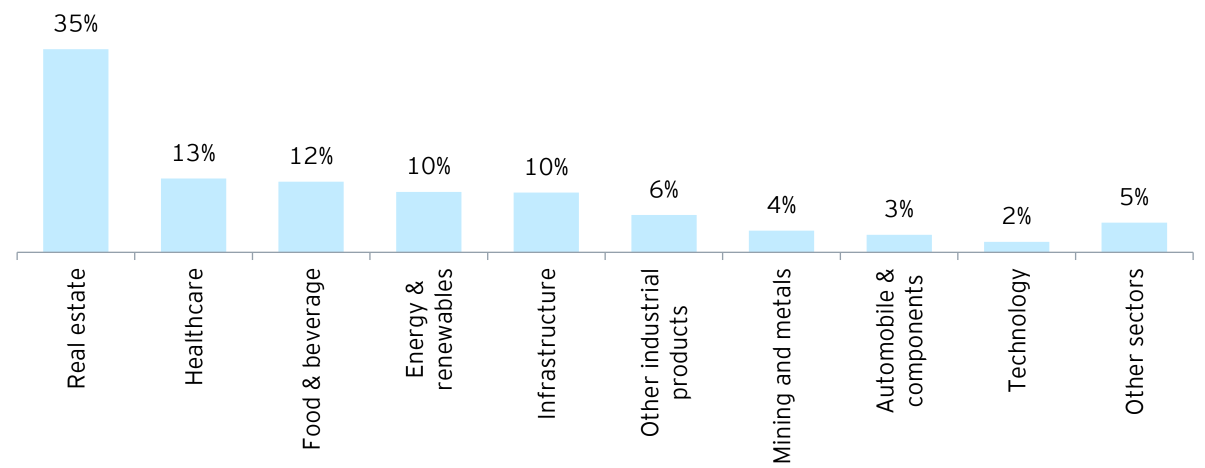
Domestic funds also continued to lead in deal volume, supported by their local presence and access to mid-market borrowers. Unlike earlier periods, they are also active in relatively larger transactions during H1 2026.

4.2.2 Sectoral dynamics of private credit deal flow

The chart below illustrates sectoral distribution of private credit investments on the basis of deal value in H1 2026, with real estate continuing to attract the highest interest from credit funds. During this period, the Food & Beverage sector gained momentum, with relatively higher transaction activity compared with prior periods.

Key borrowers across sectors include Kalpataru's real estate arm (US$176 million) in Real Estate sector, HyFun Foods (US$156 million) and Inspira Group's Lenexis Foodworks (US$113 million) in Food & Beverage sector, GMR Group (US$150 million) in Energy & Renewables sector, Manipal Group (US$124 million) in Healthcare sector, among other sectors.

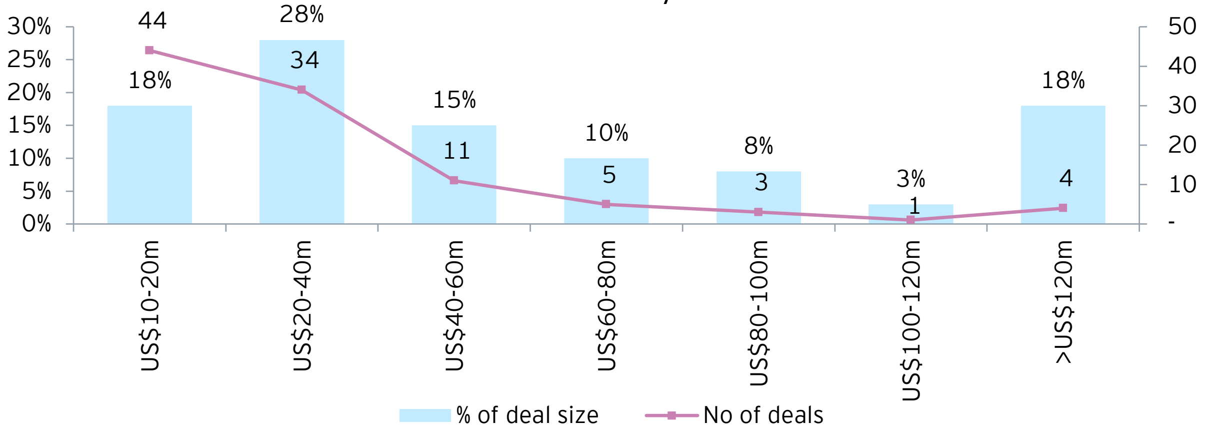
Sector-wise split of private credit deals in H1 2026



4.2.3 Distribution of deal size

The chart below presents the distribution of deals by ticket-size. In H1 2026, transactions exceeding US$100 million exceeded substantially constituting 21% of the total value compared to only 9% in H2 2025. There was a notable change in the trends of deal size in terms of value for deals ranging from US$10–40 million, making 46% of total deal value as compared to 37% witnessed during H2 2025.

Distribution of deals by ticket size



4.2.4 Summary of select deals in H1 2026

In H1 2026, we tracked ~102 deals totaling US$3.5 billion. The table below illustrates a sample of these transactions, offering a glimpse of the deal activity during the reporting period.

Month and year	Borrower	Investor	Deal value (US$ million)	Deal rationale	IRR
Real estate					
May-26	Kalpataru Properties Limited	Bain Capital	176	Refinancing	Not available
Jun-26	Square Yards Group	EAAA India Alternatives Limited and Muzinich	98	Refinancing and working capital	>= 18%
Mar-26	Whiteland Corporation	Ascertis	67	Refinancing, funding projects and working capital	Not available
Feb-26	Embassy's Birch Real Estate Private Limited	Asia Pragati Real Estate Investment Fund	63	Refinancing and funding projects	Not available
Jun-26	ASF Infrastructure Group	Alpha Alternatives and Others	54	Refinancing and general corporate purpose	>= 18%
Jan-26	Eldeco Infracon Realtors Limited	HDFC Capital Real Estate Fund	48	Funding projects	>= 18%
Jan-26	Cybercity Ventures Private Limited	KAAML funds	46	Refinancing, land acquisition for projects and working capital	>=18%
Jan-26	Shree Naman Estate Projects	KAAML funds	40	Funding projects	>=18%
Jun-26	Modern Spaaces Group	Sundaram Alternates	20	Working capital and construction finance	>= 18%
Food & Beverage					
Jun-26	HyFun Foods Group	Davidson Kempner	156	Refinancing and working capital	>= 18%
Jun-26	Inspira Group's Lenexis Foodworks Private Limited	360 One and Affiliates	113	Acquisition funding	Sub-18%
Apr-26	Harmony Organics Private Limited	Vivriti	19	Refinancing	Sub-18%
Energy & Renewables					
Jun-26	GMR Group	Bain Capital	150	Funding group company	Not available
Feb-26	Granula India's Sequestra Energy Pvt Ltd	360 One and Affiliates	48	Acquisition funding and refinancing	Sub-18%
Mar-26 and April-26	Nagai Power	Incred, RevX Capital and IIFL	38	Working capital	>= 18%

Month and year	Borrower	Investor	Deal value (US$ million)	Deal rationale	IRR
Healthcare					
Jan-26 and Mar-26	Manipal Group	360 One and Affiliates	124	Refinancing	Sub-18%
Apr-26	ASG Hospital Group	360 One and Investec	48	Funding group company	Sub-18%
Infrastructure					
Feb-26	Hella Infra Group	Ascertis	77	Refinancing	Not available
Jan-26	Urjah Metallics Group	IndiaRF	29	Refinancing and working capital	>=18%
Other industrial products					
Jun-26	Deccan Cements Limited	Neo Asset Management	71	Refinancing and working capital	>= 18%
May-26	Agson Group	Neo Asset Management	35	Refinancing	>= 18%
Mining and Metals					
May-26	Lloyds Metals and Energy Limited	KAAML funds	81	Acquisition financing and capex	>=18%
Automobile & Components					
Jun-26	JBM Ecolife Mobility Private Limited	Motilal Oswal	81*	Refinancing	Not available
Other services					
Mar-26	Re Sustainability Group	JP Morgan	43	General corporate purpose	Sub-18%
Logistics & Transportation					
Mar-26 and April-26	Sanmar Shipping Limited	ICICI Prudential Credit Funds	27	Working Capital	Sub-18%

* During this period, only US$65 million has been disbursed while the balance shall be disbursed in H2 2026.

It is noteworthy that ~94 deals worth ~US$312 million, each with a deal value of less than US$10 million, were concluded in H1 2026. 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, the H1 2026 witnessed sustained participation by NBFCs, foreign banks, mutual funds and pension/provident funds in the credit markets, particularly within the sub-18% structured credit segment. While these transactions remain within their conventional risk appetite, they increasingly mirror the types of opportunities typically pursued by performing credit funds, highlighting a gradual intensification of competitive dynamics within this segment.

The credit appetite of such institutions was visible in several marquee transactions during H1 2026.

- Torrent Pharmaceuticals Limited raised US$1,181 million from a range of insurance companies (US$428 million), mutual funds (US$249 million), pension funds (US$238 million), foreign banks (US$227 million) and others (including NBFCs and Body Corporates – US$20 million).
- JSW Kalinga Steel Limited raised ~US$1,020 million from range of foreign banks (US$698 million), mutual funds (US$298 million) and others (including banks and insurance companies – US$25 million).

- PowerGrid Corporation raised US$989 million from various pension funds, provident funds, mutual funds, NBFCs and others.
- Adani Power Limited raised US$733 million from various mutual funds, insurance companies and banks, and in addition to H2 2025, Bharat Telecom Limited raised US$484 million from various mutual funds.

4.3 Exits: Select investment exits during H1 2026

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

Kotak Alternate Asset Management's funds exited multiple companies, with aggregate investments of up to US$521 million.

360 ONE Credit Funds and its affiliates exited investments aggregating US$134 million in Greenko UP01 Pvt. Ltd. and Manipal Education and Medical Group India Pvt. Ltd.

Certus Capital exited two real estate investments, realizing an IRR >18%.

EAAA India Alternatives Limited's funds undertook notable exits including:

- India Special Assets Fund III exited its investment in Kals Distillery, generating an IRR >18%. The fund also exited investments in Vatika Hotels.
- Edelweiss Special Opportunities Fund III exited its investment of US$86 million in Biocon Biologics, achieving an IRR <18%.

InCred Credit Opportunities Funds (ICOF I and ICOF II) exited investments aggregating US$16 million across six companies, realizing an IRR <18%. The funds also exited investments aggregating US$27 million across eight additional companies, realizing an IRR >18%.

IndiaRF exited the investments aggregating US$66 million from Setco Auto Systems Private Limited.

Investec-managed funds exited several investments, notably S.P.Y. Agro Industries Limited with an IRR >18%. Additional exits included Wanbury Limited, BCP Topco IX Pte Ltd and Actis Roadstar Mauritius Holdings, generating returns of <18% IRR.

Neo Asset Management's funds completed exits across a diversified portfolio spanning listed financial conglomerates, packaging paper manufacturers, hospitality assets, precision manufacturing companies, financial services platforms, EPC businesses and jewelry businesses.

Piramal Structured Credit Opportunities Fund exited investments from Harmony Organics Private Limited, realizing an IRR >18%. This fund also exited investments from Nihilent Limited and IKF Finance Limited, realizing IRR <18%.

RV Capital India Credit Plus Fund exited investments across sectors including cement, infrastructure, diversified businesses and flexible workspaces.

Sundaram Alternates exited two companies through its Emerging Credit Opportunities Fund I and High Yield Secured Real Estate Fund III, realizing an IRR >18%.

Varde Partners exited investments in three portfolio companies, with aggregate investments of US$138 million through its offshore and domestic credit vehicles.

VentureSoul Capital Fund I - Scheme 1 exited its investments in True Credits Private Limited and Mozark Tech India Private Limited, generating an IRR of >18%.

05 In the spotlight

5.1 The new era of acquisition financing

India's acquisition financing landscape is entering a structural transition phase. Domestic lending and ECB frameworks are now being progressively aligned to support acquisitions, particularly those involving a change in control.

Two parallel regulatory shifts are driving this transition:

- The introduction of a formal bank-led acquisition financing framework
- The liberalization of ECB end-use to permit acquisition of control

While these changes are significant, adoption of these measures is expected to be selective and anchored around high-quality, strategic transactions rather than broad-based leverage expansion.

A unified shift: From prohibition to calibrated enablement

Historically, corporates primarily relied on private credit, select NBFCs, and offshore structures to fund equity purchases. The new frameworks introduced by RBI, which enable the borrower to access both domestic bank funding and ECB routes for M&A transactions, significantly broaden the available avenues for financing such acquisitions.

As noted by policy experts, these changes open broader, yet carefully guarded, financing options for Indian companies pursuing acquisitions underscoring both the opportunity and the in-built prudential guardrails.

Strategic intent at the core

A defining feature across both domestic and ECB frameworks is the emphasis on strategic acquisitions. Transactions that create long-term value through operational synergies result in meaningful control or enhanced governance rights and are supported by credible cash flow visibility are expected to be at the forefront.

Importantly, the framework is not designed to enable financial engineering. In practice, this creates a clear boundary:

- Operationally driven acquisitions are encouraged
- Transactions such as intra-group stake transfers or promoter stake buyouts, particularly if structured as disguised buybacks, are likely to face regulatory and credit pushback

This is further reinforced by restrictions on related-party transactions, signaling regulatory discomfort with structures that facilitate promoter liquidity without a genuine change in control.

Banks: Willing, but cautious

With the framework becoming effective only from 1 July 2026, these are still early days. Initial commentary from banks suggests measured participation rather than aggressive scale-up. In late 2025, SBI Chairman[34] had indicated that banks may look to partner with foreign institutions, leveraging their structuring expertise in acquisition financing. This suggests that early transactions will likely be conservative in nature, focused on top-tier borrowers and structured through syndication or co-underwriting arrangements.

Gradual ramp-up expected

Despite the enabling framework, we may see gradual scale-up, as Indian banks are expected to remain conservative post the high NPA cycle, especially towards non-asset backed, cashflow-driven leveraged structures. Additionally, acquisition financing requires capabilities such as speed of execution, structuring flexibility and assessment of synergies. While private credit funds and offshore financiers have developed expertise in these areas over time, banks may need to evolve a more nuanced approach, which could take time.

Importantly, this transition will be closely watched, as acquisition financing should not be viewed as just another extension of corporate lending. Rather, it represents a structural shift in the role of banks within India's deal ecosystem. If executed effectively, it has the potential to position banks as strategic partners to Indian conglomerates, beyond traditional lending roles, and could catalyze broader M&A activity in the country.

From a competitive standpoint, this evolution introduces a new dynamic. For the first time, banks and private credit funds may compete directly for large, high-quality acquisition financing opportunities, particularly those involving well-rated borrowers and strategic assets. An important dimension of this competition will be pricing:

34 SBI Chairman on Acquisition Financing

- Banks, with access to relatively lower-cost capital, may offer more competitive pricing for high-quality, plain-vanilla transactions
- Private credit funds, while offering flexibility and structuring innovation, may face pressure to recalibrate pricing in segments where banks gain traction

ECB reforms: Expanding financing optionality

Alongside domestic bank financing, ECB reforms significantly expand access to offshore capital pools. Key changes include permitting ECB proceeds for acquisition of control, thereby unlocking new funding avenues for cross-border and large-ticket transactions.

Some market participants have described ECB liberalization as a potential "game changer" for acquisition financing, particularly for large and cross-border deals.

Layered approach towards acquisition financing: Evolution, not disruption

Rather than moving toward a single dominant funding source, India's acquisition financing ecosystem is likely to evolve into a layered and collaborative structure.

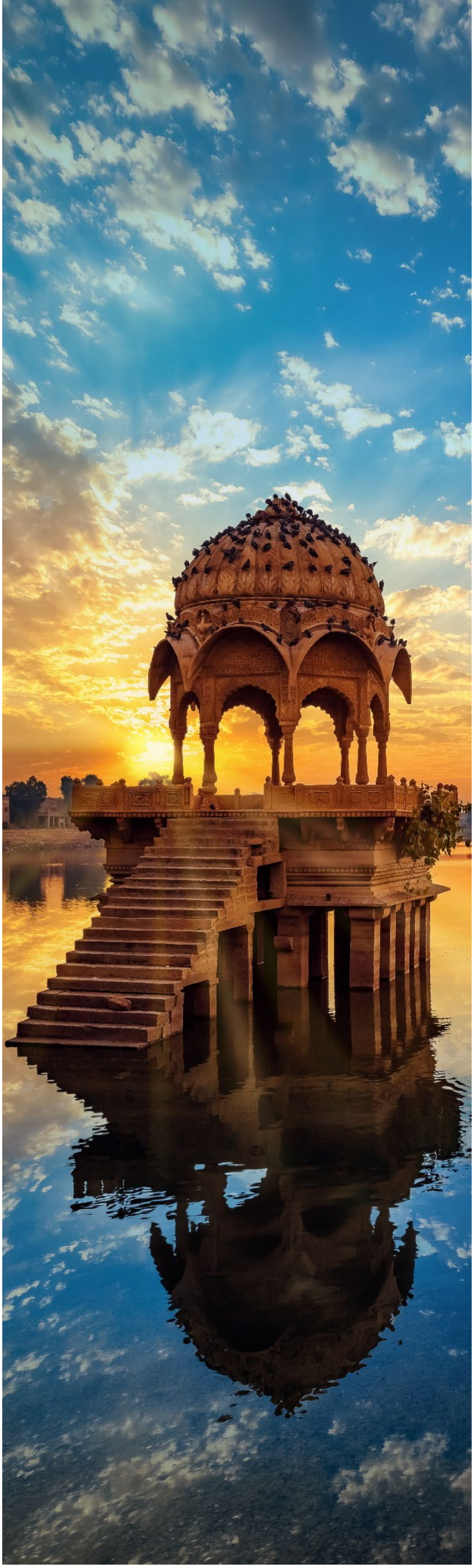
- Domestic banks are expected to anchor high-quality, strategic transactions, particularly where borrower familiarity, rupee funding needs and cashflow visibility are strong.
- ECB and offshore lenders are likely to provide scale, structuring flexibility and cross-border capability, especially for larger deals.
- Private credit, meanwhile, is expected to remain integral continuing to address mid-market opportunities, bespoke structures and time-sensitive transactions requiring flexibility.

This multi-layered model reflects global acquisition financing markets, where different capital providers operate in a complementary rather than competing manner.

India's acquisition financing market is clearly opening up, but in a measured and principles-driven manner rather than through a sharp expansion in leverage. In the near term, the evolution is likely to be defined by selective deployment, centered on high-quality borrowers, clear preference for strategic control-driven acquisitions and increasing use of hybrid structures combining banks, ECB financing route and private credit

Over time, as underwriting capabilities deepen, deal pipelines mature and regulatory comfort evolves, acquisition financing could develop into a more scaled and standardized asset class in India.

For now, however, the shift is best understood as a gradual recalibration of the acquisition financing ecosystem—anchored in discipline, collaboration and long-term value creation.



5.2 Private credit in India and the US – A study of structural contrast

Over the past two decades, private credit has evolved from a niche financing tool into a core pillar of global capital markets. In the US, the asset class expanded significantly after the global financial crisis, as tighter regulatory requirements reduced banks' appetite for lending. This created a large funding gap, which private credit funds stepped in to fill. Today, the US private credit market is estimated at ~US$1.4 trillion.[35]

India's trajectory is more recent and shaped by a distinct domestic credit cycle. Aggressive bank lending in the late 2000s and early 2010s eventually led to a build-up of NPAs, constraining bank credit. Reforms such as the IBC improved resolution frameworks, while the NBFC liquidity crisis in 2018 further tightened credit availability. Against this backdrop, a funding gap emerged, prompting private credit funds structured as SEBI-regulated Category II AIFs—to step in with bespoke, structured financing solutions where traditional lenders were constrained. As per S&P Global, as on 31 March 2025, India's private credit AUM is estimated at ~US$25–30 billion.[36]

Structural frameworks: Semi-liquid versus closed-ended ecosystems

The most fundamental difference between the two markets lies in their capital structures and liquidity frameworks. The US market is large, diversified and investor-broad-based with most of the funds being open-ended, whereas the Indian market remains institutional, closed-ended, and more tightly regulated.

In the US, private credit is often deployed through semi-liquid or evergreen vehicles, including Business Development Companies (BDCs) and interval funds. These structures:

- raise capital from both institutional and retail investors
- offer periodic redemption windows, and
- invest in relatively illiquid, long-duration credit instruments

This creates an inherent asset-liability mismatch, where investor liquidity expectations sometimes may not align with the underlying asset profile.

In contrast, India's private credit market is largely built on closed-ended Category II AIF structures:

- capital is sourced primarily from institutional investors, HNIs and family offices
- minimum investment thresholds are relatively high, and
- funds operate with a fixed tenure and limited allowance for leverage.

This structure ensures that investor capital remains locked in for the life of the fund, reducing liquidity mismatch risks and limiting the potential for large-scale redemptions.

Nature of deals: Diverging use-cases across markets

The US private credit market is highly diversified and mature, covering a broad range of financing solutions including, direct lending, leveraged buyouts and M&A financing, refinancing and dividend recapitalizations and asset-based financing and structured credit. Private credit funds increasingly participate in large-scale transactions, competing with syndicated loan markets and traditional banks.

India's private credit market is more gap-driven and opportunistic, focusing on refinancing, promoter financing/stake acquisitions, special situations/stressed assets and real estate and infrastructure financing. Deal activity continues to be influenced by funding gaps left by banks and NBFCs, rather than a full substitution of traditional lending channels.

Market maturity

The US private credit market is clearly more mature with a larger scale, diverse investor base including retail participation, complex structures and deep integration with broader financial markets.

India, on the other hand, is smaller but fast-growing, dominated by institutional capital, structurally less levered and less interconnected and positioned as a complement to bank and NBFC lending.

35 Speech by Vice Chair for Supervision Bowman on the migration of corporate lending - Federal Reserve Board
36 India's private credit market is coming of age | S&P Global

In many ways, India is still in the formation stage, but with strong structural safeguards embedded early in its evolution.

Recent stress dynamics: A point of divergence

In the US, the private credit market has experienced heightened redemption pressures. Increased investor withdrawal requests exceeding US$20 billion[37] in early 2026 have led to the use of redemption limits by several funds. These developments underscore a liquidity mismatch risk, where underlying assets remain illiquid while investor access to redemptions remains periodic but limited.

On the other hand, India's market has remained relatively insulated due to its design with no redemption pressure due to nature of the funds being closed-ended, limited retail participation and no leverage at fund level (except operation related debt). As a result, India has not experienced comparable liquidity stress, even amid global volatility.

While both India and the US have witnessed significant growth in private credit, the two markets differ in their structure, regulatory orientation, investor composition, and role within the broader financial system. The US market is characterized by greater scale, diversification and integration with capital markets, alongside increasing structural complexity and evolving liquidity considerations.

In contrast, India's market remains smaller and more institutionally oriented, operating within a relatively more controlled framework, with features that may help moderate certain risks observed in more developed markets.

5.3 Recalibrating secured creditor entitlements

The Insolvency and Bankruptcy Code (Amendment) Act, 2026, which came into effect on 26 May 2026, introduces several changes to the insolvency framework. The amendments improve execution certainty by codifying the clean-slate principle, permitting phased approval of implementation and distribution; preserving licenses, permits and concessions; providing timelines for NCLT/NCLAT decisions; facilitating guarantor asset transfers; and strengthening avoidance/fraudulent trading actions. However, the amendments relating to secured creditor recoveries are particularly significant for credit providers, as they directly alter the economics of secured lending, dissent rights and inter-creditor priority in insolvency.

Dissenting financial creditors: The new "lower of" test – Under the pre-amendment framework, as interpreted by the Supreme Court in *DBS Bank Ltd., Singapore v. Ruchi Soya Industries Limited*, a financial creditor dissenting from a resolution plan was entitled to receive, at a minimum, the amount it would have realized in liquidation. For a creditor holding an exclusive charge, this effectively meant recovery linked to the value of its security interest.

The newly inserted Section 30(2)(ba) materially changes this position. A dissenting financial creditor is now entitled only to the lower of: (i) the amount receivable in liquidation under the Section 53 waterfall; or (ii) the amount it would receive if the resolution plan proceeds were distributed in accordance with that waterfall.

The practical effect is that security value may no longer operate as an effective minimum recovery floor for dissenting creditors. Instead, where the creditor's share of plan proceeds under the statutory waterfall is lower than the value it may have realized against its collateral in liquidation, the lower amount will prevail. In commercial terms, the amendment materially changes the strategic value of dissent for secured lenders seeking to preserve collateral-linked recoveries.

Secured status limited to realizable value of security – The Amendment Act also clarifies that a creditor is treated as "secured" only to the extent of the realizable value of the security interest relinquished to the liquidation estate. Any claim in excess of that value will rank as unsecured.

This clarification is important because it is intended to address the divergence between the security-linked approach reflected in the judgements of *Essar Steel India Limited* and *Ruchi Soya Industries Limited*, and the claims-based pro rata approach adopted in *India Resurgence ARC v. Amit Metaliks Limited*, which had been referred to a larger bench of the Supreme Court. A single financial claim may therefore be split into secured and unsecured components, with the unsecured portion being lower down in priority

37 Investor withdrawal requests exceeded US$20 billion

accorded by the waterfall under Section 53 of the Code.

Related to that, the definition of "security interest" has been confined to interests created by agreement. This neutralizes the effect of the position emerging from State Tax Officer v. Rainbow Papers Limited, 2022 and excludes statutory dues from secured creditor status merely by operation of law.

Inter-creditor arrangements and the limits of statutory recognition – The amended Section 53(2), read with the statutory illustrations, recognizes contractual arrangements among creditors within the same class, including payment priority, turnover and subordination provisions. Such arrangements can no longer be disregarded in the liquidation waterfall.

This is a meaningful development, but its scope is deliberately limited. The amendment validates contractual sequencing of payments between creditors but does not conclusively resolve the separate issue of charge ranking, namely whether a first charge-holder is entitled to a larger share of the secured pool at source upon relinquishment. Accordingly, the NCLAT's position in *Technology Development Board v. Anil Goel* — that relinquishment equalizes secured creditors regardless of charge priority, which is one of the most heavily litigated questions in Indian insolvency — may not actually have been settled and will remain open to further judicial consideration.

A related procedural amendment to Section 52 also requires attention. A secured creditor that elects to realize its security outside liquidation must now intimate the liquidator within 14 days from the liquidation commencement date. If it fails to do so, the security interest will be deemed to have been relinquished to the liquidation estate.

Implications for existing and future debt

Subject to the relevant commencement notification and transitional provisions, the amended Section 30(2) applies to ongoing CIRPs as well, except where the CoC has already approved a resolution plan or a liquidation order has been passed. The changes to Section 53(2), however, will apply only to liquidations initiated after the relevant amendments come into force.

For outstanding exposures that enter insolvency after the applicable amendments have come into force, the new regime will govern recoveries irrespective of when the facility was originated or documented. Lenders should therefore assess existing portfolios against the amended framework, rather than relying solely on the legal position prevailing at the time of sanction.

Three portfolio-level consequences follow:

- Under-collateralized exposures will now be expressly bifurcated; the portion of admitted debt exceeding the realizable value of security will rank as unsecured, requiring recovery assumptions on that portion to be marked down.
- The amendment may recalibrate the negotiation position of dissenting secured lenders, particularly those holding exclusive charges over critical assets.
- Valuation is likely to become a central area of dispute. Since secured status depends on "realizable value", disagreements over valuation methodology, valuation timing and fluctuating asset values are likely to intensify, especially where multiple secured creditors hold competing interests over the same collateral pool.

These consequences make secured-credit underwriting less a question of nominal security cover and more a question of enforceable priority, valuation resilience and voting influence.

Key considerations for lenders

The amendments shift much of the burden of preserving seniority from statute to contract. Lenders should consider the following five key areas:

- **Collateral discipline** – Since secured entitlement is capped by realizable value, loan-to-value headroom at origination becomes more important than the mere existence of security. Facility documentation should include periodic independent revaluation covenants, top-up or additional-security triggers, and, where feasible, security over liquid or readily marketable assets. Agreeing on valuation methodology upfront may also reduce disputes in a subsequent insolvency.
- **Inter-creditor documentation** – As the statute recognizes contractual payment arrangements but does not conclusively preserve charge ranking, the inter-creditor agreement becomes the principal instrument for protecting seniority. Payment waterfalls, turnover obligations, subordination clauses and accession mechanics should be drafted with precision so that all present and future secured lenders are bound. A senior lender relying only on charge ranking, without corresponding contractual turnover protection, may face dilution.

- **Structural seniority** – Where commercially feasible, lenders should consider structures that reduce dependence on Section 53 distributions, including escrow and trust-and-retention account mechanics, cash sweeps, debt service reserves, ring-fenced SPVs and HoldCo/OpCo subordination. Guarantee packages should also be reviewed in light of the newly inserted Section 28A, which permits transfer of guarantor assets as part of the resolution process where the creditor has taken possession of the guarantor asset by enforcing its security interest, subject to the approvals and conditions prescribed under the Code.
- **Process readiness** – The reduced value of dissent makes influence within the CoC more important than leverage outside it. Lenders should calibrate hold sizes, voting alignments and inter-creditor positions accordingly. The amended Section 30(4), which permits the committee to consider priority and value of security interests when approving distributions, is likely to be most effective, where supported by pre-agreed contractual arrangements. Operationally, lenders must also build internal escalation protocols such that the 14-day intimation requirement under Section 52 is not missed, as failure to comply results in deemed relinquishment.
- **Portfolio construction implications** – The amendments may influence not only how private credit investments are structured, but also which opportunities are prioritized. As recovery outcomes become increasingly dependent on CoC dynamics and voting influence, investors may place a greater premium on bilateral loans, club deals and concentrated lender groups where they can meaningfully shape resolution outcomes. Conversely, minority positions in widely syndicated facilities or fragmented creditor classes may become less attractive, as the value of holding strong security may be diminished by limited influence over the insolvency process.

The Amendment Act prioritizes resolution certainty and process efficiency over collateral-based holdout leverage. For credit providers, the response is therefore primarily contractual and structural: protections that the statute no longer assures must be embedded upfront in documentation, collateral packages and inter-creditor arrangements.

At the same time, while the amendments clarify that secured status is limited to the realizable value of collateral, they leave open important questions on valuation methodology and timing. Litigation may therefore shift from priority disputes to valuation disputes, with recovery outcomes turning on the extent to which a lender's claim is recognized as secured.

For investors, this points to a shift in emphasis from individual enforcement leverage to portfolio design, voting influence and pre-agreed contractual protections.

Majority lenders and resolution applicants may benefit from greater flexibility and resolution certainty, while minority dissenting creditors, under-collateralized lenders and investors relying on collateral-based holdout strategies may face reduced negotiating power. The relative importance of CoC influence, portfolio design and pre-agreed contractual protections is therefore likely to increase.

06 EY private credit **pulse survey**

6.1 About the survey

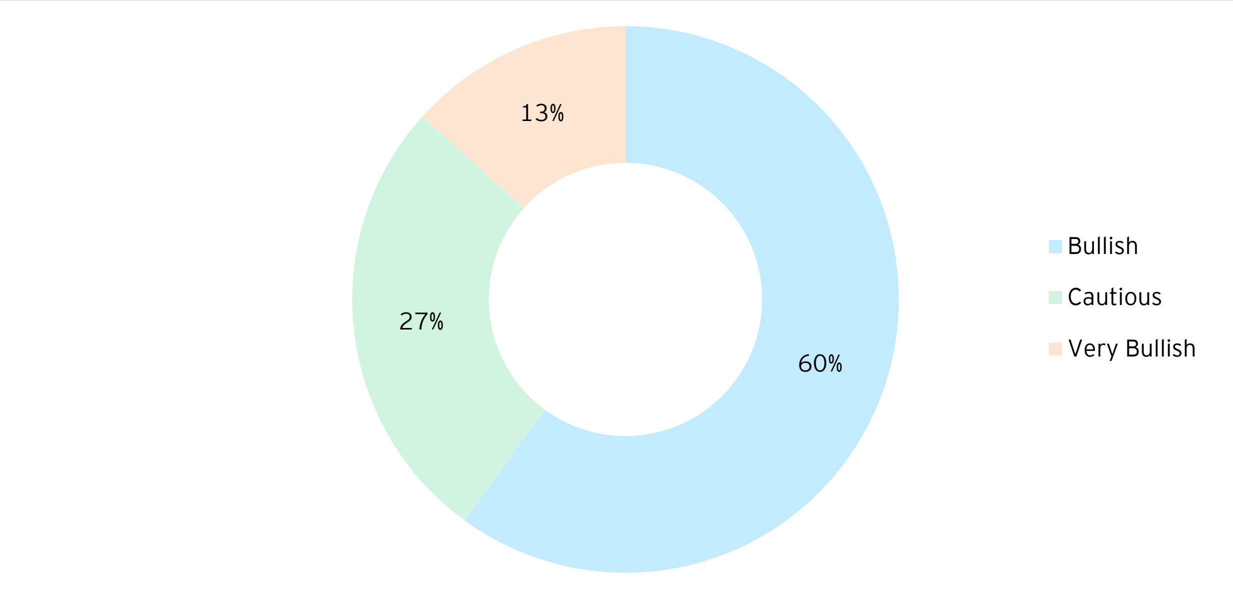
We conduct a periodic survey of the private credit market in India to gauge market dynamics and detect shifts in the industry's overall direction. Approximately 33% of the respondents targeted deals within an IRR bucket of 12% to 18% (performing credit) compared to the other 67% who preferred above 18% IRR bucket (high yield).

The survey indicates an overall constructive outlook for the private credit market over the next one to two years, with most respondents expressing a bullish view on the asset class. On the impact of the ongoing geopolitical situation, responses were mixed, with a majority indicating no meaningful impact on deployment activity, while others reported a more cautious approach towards sector and geography selection. The survey also highlighted stress-related situations, capital expenditure requirements and M&A financing as some of the key drivers of demand for private credit in the current market environment.

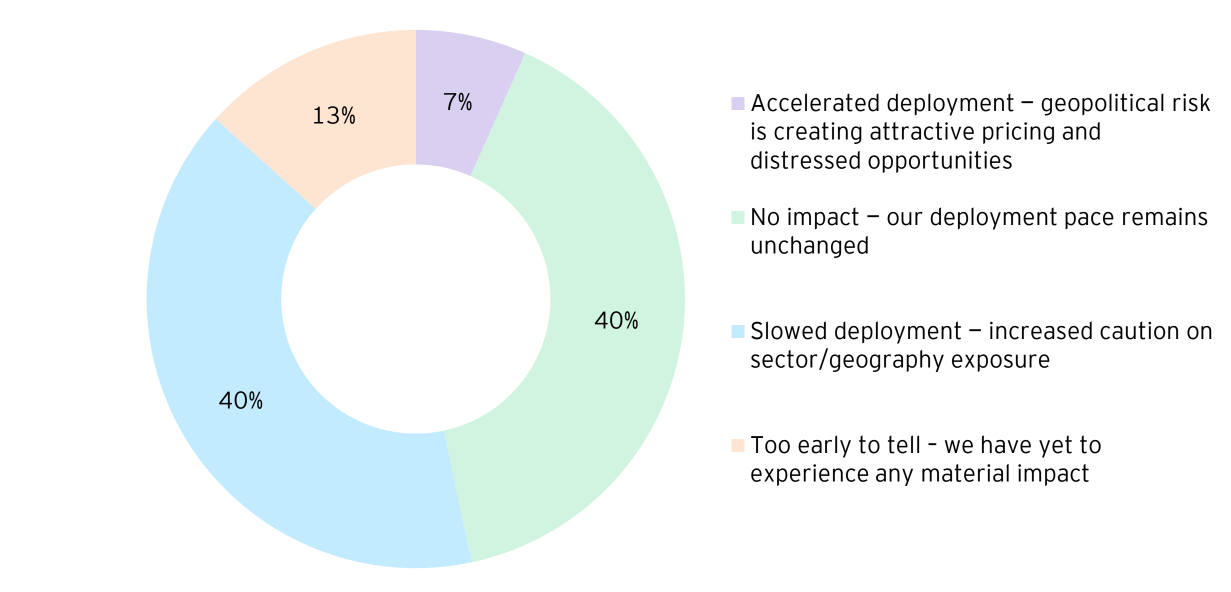
As part of the survey, we also assessed the growing use of AI in deal sourcing and underwriting. The findings suggest that most funds have begun using AI selectively, particularly for data analysis, monitoring and underwriting support, while a smaller set of participants have started integrating AI more deeply into origination and credit assessment processes. Further, in response to the recent RBI guidelines permitting banks to participate in acquisition financing, respondents expressed mixed views on the potential impact on private credit funds, with many indicating that it is still early to assess the competitive implications. On portfolio risk, respondents continued to identify real estate as the sector carrying the highest perceived risk of default despite remaining one of the most active segments for deal activity. Roads, energy and renewables, metals and manufacturing were also highlighted among the sectors warranting relatively closer monitoring.

6.2 Results of the survey

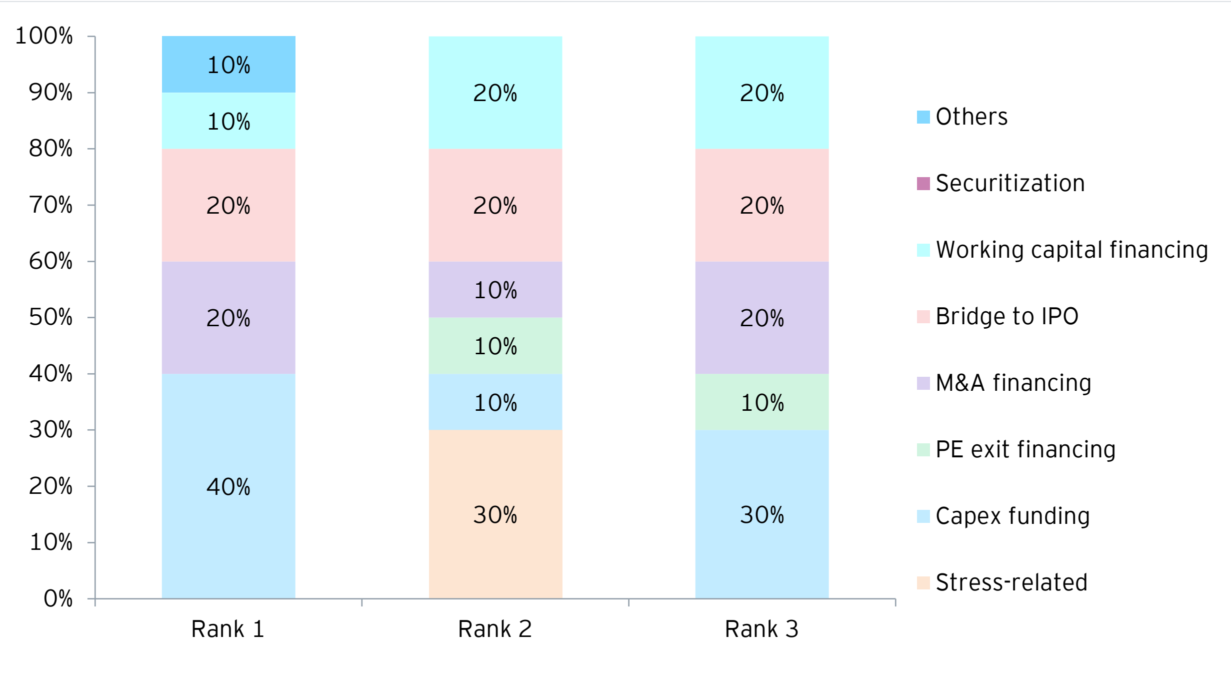
Q1 **What is the overall sentiment for private credit over the next 1-2 years?**



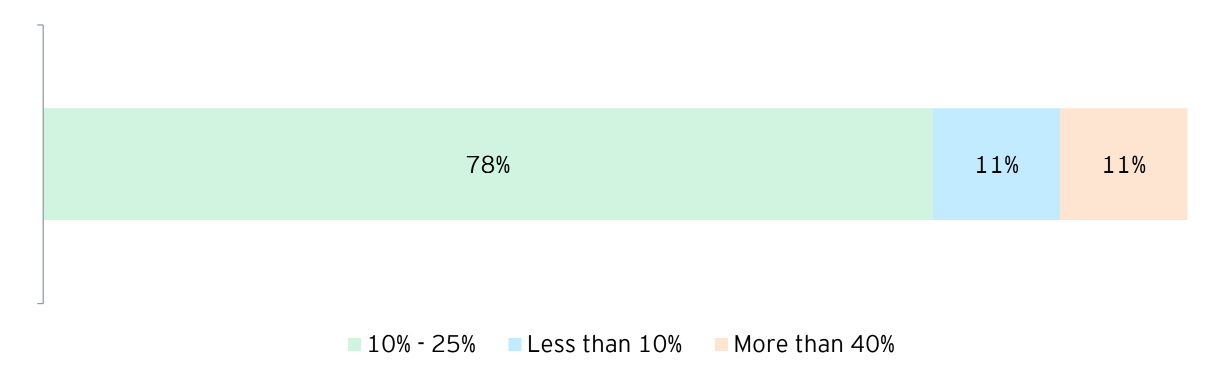
Q2 How has the ongoing geopolitical conflict and war situation (Middle East tensions) impacted your fund's deployment pace?



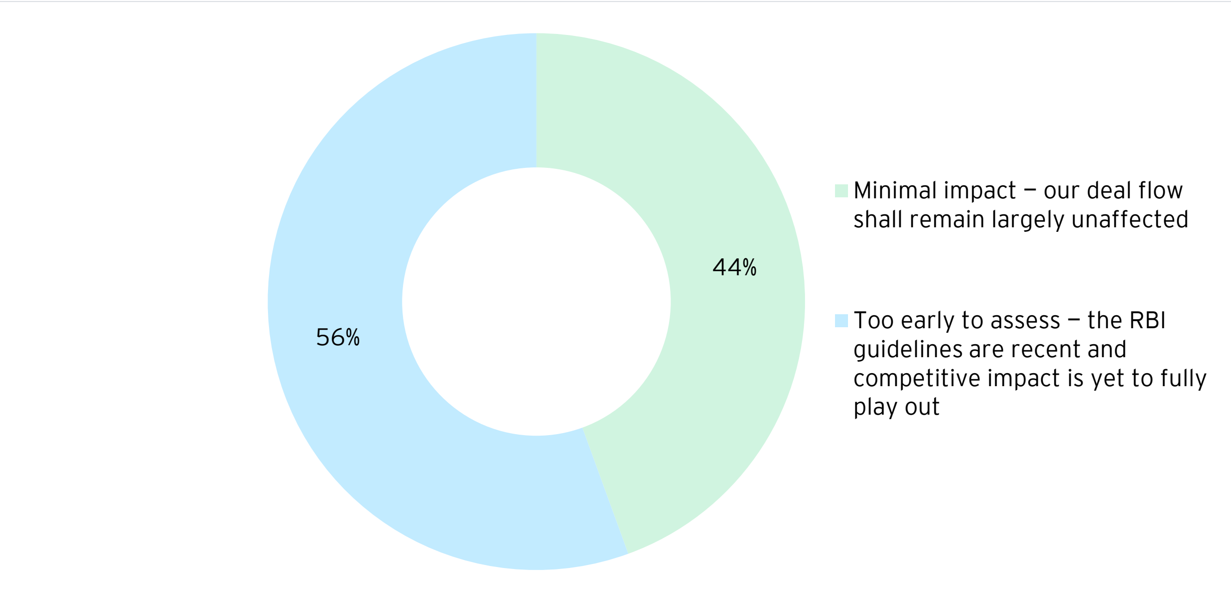
Q3 In the current deal flow, kindly rank the drivers of demand for private credit (Rank 1 indicating the most significant driver and Rank 8 indicating the least significant driver).



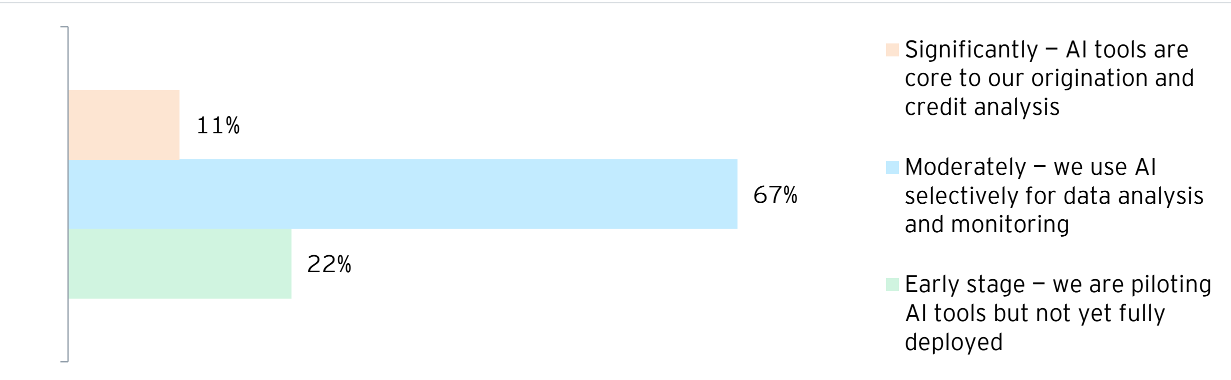
Q4 What percentage of your current deal pipeline (deals under analysis) comprises of Acquisition Financing?



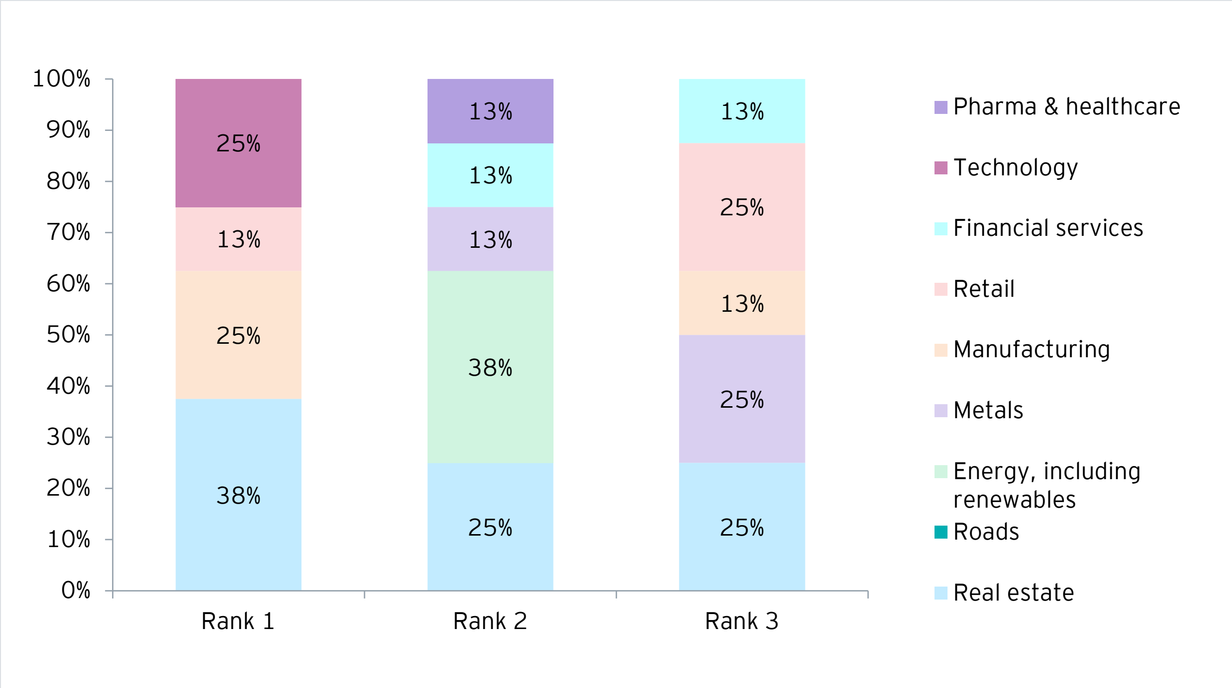
Q5 Following the recent RBI guidelines permitting banks to lend for Acquisition Financing, how do you expect this to impact the positioning of your private credit fund?



Q6 How is Artificial Intelligence (AI) impacting your deal sourcing and underwriting process?



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



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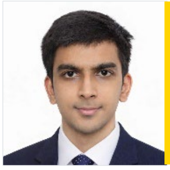

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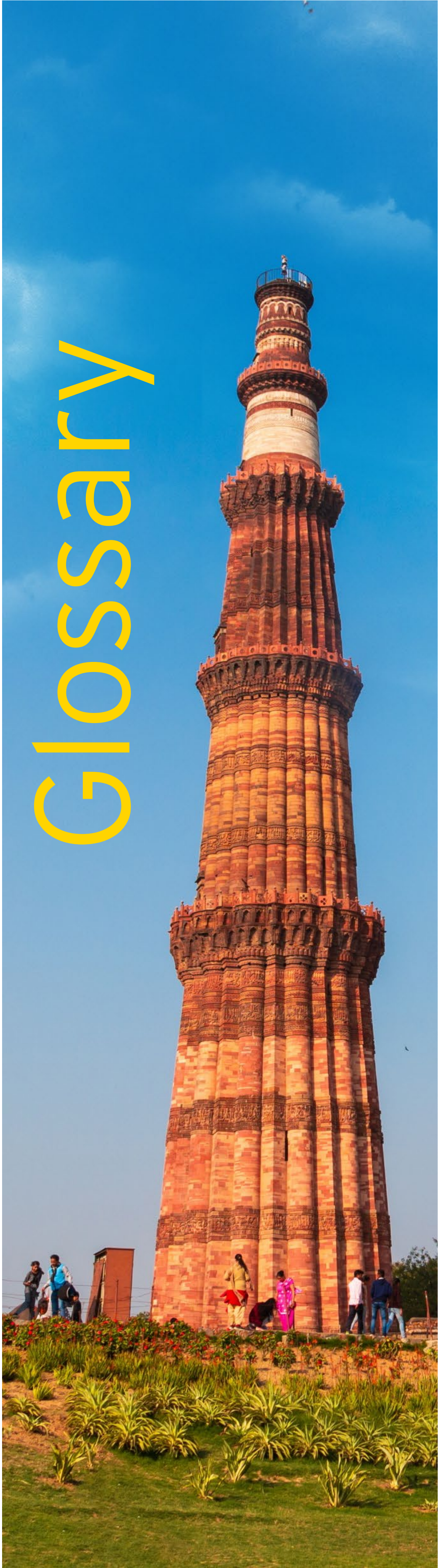
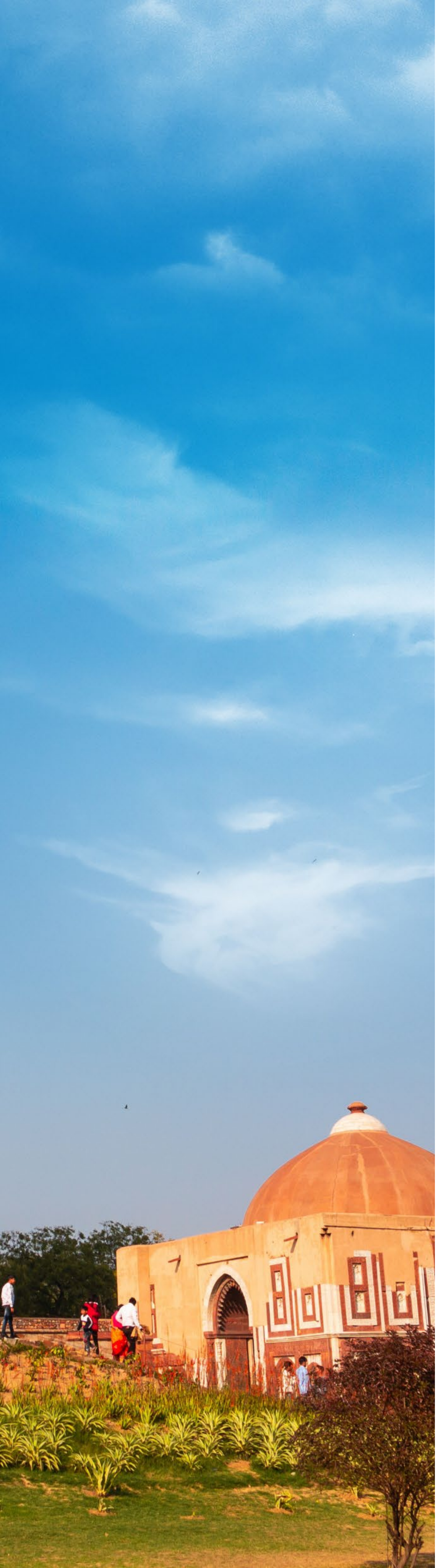
Glossary

Acronym	Full form
AIF	Alternative Investment Fund
AI	Artificial Intelligence
AUM	Assets Under Management
ARC	Asset Reconstruction Company
bbl	Barrel of crude oil
CAGR	Compound Annual Growth Rate
CASA	Current Account Savings Account
CD	Certificate of Deposit
CoC	Committee of Creditors
CIIRP	Creditor-Initiated Insolvency Resolution Process
CIRP	Corporate Insolvency Resolution Process
CPI	Consumer Price Index
CRAR	Capital to Risk-weighted Assets Ratio
CET1	Common Equity Tier 1
CY	Calendar Year
DPD	Days Past Due
ECB	External Commercial Borrowings
ESOP	Employee Stock Ownership Plan
FCNR(B)	Foreign Currency Non-Resident (Bank) Account
FDI	Foreign Direct Investment
FPI	Foreign Portfolio Investors
FSR	Financial Stability Report
FY	Financial Year
GARUDA	Green-Channel: AIF Rollout Upon Document Acknowledgement
GNPA	Gross Non-Performing Asset
GDP	Gross Domestic Product
HFC	Housing Finance Company
HNI	High Net Worth Individual
IBBI	Insolvency and Bankruptcy Board of India
IBC	Insolvency and Bankruptcy Code, 2016
IIP	Index of Industrial Production
IMF	International Monetary Fund
INR	Indian Rupee





Acronym	Full form
InvIT	Infrastructure Investment Trust
IFSC	International Financial Services Centre
IPO	Initial Public Offering
IRR	Internal Rate of Return
LCR	Liquidity Coverage Ratio
LLP	Limited Liability Partnership
M&A	Mergers and Acquisitions
MFI	Microfinance Institution
MSME	Micro, Small & Medium Enterprises
NBFC	Non-banking financial company
NCLAT	National Company Law Appellate Tribunal
NCLT	National Company Law Tribunal
NNPA	Net Non-Performing Asset
NPA	Non-Performing Asset
OECD	Organization for Economic Co-operation and Development
PCR	Provision Coverage Ratio
PE	Private Equity
PFC	Power Finance Corporation
PMI	Purchasing Managers' Index
PPM	Private Placement Memorandum
PSU	Public Sector Undertaking
RBI	Reserve Bank of India
REC	Rural Electrification Corporation Limited
RoA	Return on Assets
RoE	Return on Equity
OpCo	Operating Company
HoldCo	Holding Company
SARFAESI	Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest
SEBI	Securities and Exchange Board of India
SIP	Systematic Investment Plan
SMA	Special Mention Account
SBI	State Bank of India
SPV	Special Purpose Vehicle
US	United States
US$	US Dollar

All INR amount converted to US$ at INR 93.08 per US$.

Notes

Notes

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