Houlihan Lokey



India Private Credit Update

Summer 2026

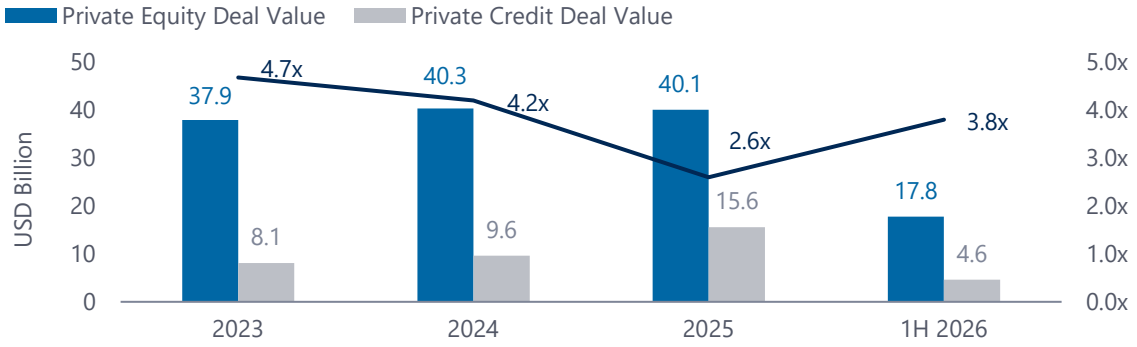
India Private Credit Update | Summer 2026

Overview of the Indian Private Credit Market: Accelerating Scale and Expanding Opportunity

India's private credit market has moved decisively from episodic growth to structural relevance. Deployment reached a record $15.6 billion, up 63% year-over-year, across 256 deals in 2025. In 1H 2026, deployment reached $4.6 billion across 144 deals, down 54% YoY. The 1H 2026 deal value moderation primarily reflects a normalisation from 2025's outsized issuances, which were boosted by several large-ticket transactions, rather than a broad-based retreat in underlying credit demand. Private credit AUM has also roughly doubled over the past five years to ~$25 billion. Growth has been supported by a stronger Category II AIF framework, improved access to cross-border funding, and financing gaps left by banks and NBFCs in bespoke, long-tenor transactions.

The chart below highlights the increasing convergence between private equity and private credit in India. While private equity deal value remained broadly stable, private credit expanded steadily, reducing the private equity/private credit deal value ratio from 4.7x in 2023 to 2.6x in 2025. The ratio's rebound to 3.8x in 1H 2026 reflects the private credit deployment pause, not a structural reversal. This shift was partly driven by Shapoorji Pallonji Group's outsized $3.6 billion in issuances, which accounted for 23% of 2025 private credit volume.

Private Credit Is Narrowing the Gap With Private Equity



Sources: Octus, EY - IVCA Trendbook, Moody's; public sources.
Notes:
i. The above chart represents calendar-year data.
ii. Octus data for Private Credit considers deals greater than $3mn; no threshold was applied to Private Equity data sourced from EY.
iii. Private Equity data from the EY report excludes credit and PIPE deals from total deal volume and includes VC data as well.
iv. Private Credit AUM has doubled over five years to $25 billion; $15.6 billion was deployed in 2025 (including offshore and refinancing deals).

India vs. U.S. Private Credit: A Structural Comparison

INDIA	U.S.
Founder-Led Borrowers	Sponsor-Backed Borrowers
Closed-Ended AIFs	Open-Ended Retail Vehicles
Fund-Level Leverage Prohibited	Extensive Fund-Level Leverage
Hard Asset-Backed Collateral	Software and Tech-Dominated Lending
Structured and Hybrid Capital	Senior Direct Lending

The turbulence in U.S. private credit is a story about fund architecture, not credit. The stress is concentrated in open-ended, retail-facing vehicles, evergreen funds, and non-traded BDCs that offer periodic redemptions against long-duration, illiquid loans. When redemption requests surged through software and technology-heavy portfolios, the mismatch (not defaults) set the terms of the stress. India shares none of those elements: funds are closed-ended Category II AIFs, prohibited from fund-level leverage (where U.S. BDCs may borrow up to twice their equity), and secured against hard assets.

The risk in India is idiosyncratic, not systemic—it sits in individual credits, not in market structure. At more than $25 billion in AUM, private credit still accounts for barely 1% of Indian corporates' debt funding, leaving substantial headroom as banks retreat from complex, long-dated lending. The more pertinent watch-points are homegrown: borrower-level leverage, thinning covenants in a competitive market, and an insolvency regime still maturing through each cycle.

> *There is a stark difference between these two markets. U.S. private credit runs on fund-level leverage against sponsor-owned LBO cash flows. We run unlevered funds against hard security, and our demand is idiosyncratic—refinancing, promoter, and acquisition situations rather than a deal cycle. So uncertainty here slows deployment; it does not force anyone to sell.*
>
> **Ankur Jain, Managing Director at InCred Alternative**

> *India's private credit market benefits from a fundamentally resilient architecture. Closed-ended funds, no fund level leverage, aligned long-term capital, and stringent regulatory oversight mitigate liquidity and asset-liability risks. This enables lenders to maintain underwriting discipline and deploy capital with conviction through periods of heightened market uncertainty.*
>
> **Sandeep Agarwal, CEO and CIO at Modulus Alternatives**

The Premium on Complexity Is Increasing Yield Differentiation

Competition Is Defining Yields in Traditional Lending, Structured Credit, and Special Situations

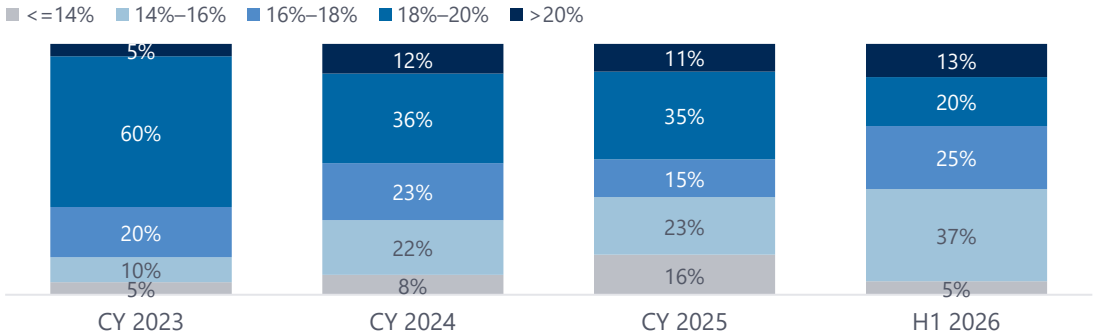
CY 2025 Private Credit Deals By Sector

Technology/Telecom 3%	Vi, PlanetCast International
Consumer-Related 5%	GMR Sports, S.R.Y. Agro Industries Limited, WOW! momo, EMPEE, INMOBI
Financial Services 6%	Reliance Capital
Transportation 9%	adani, Chhatrapati Shivaji Maharaj International Airport Mumbai, GAL GMR Airports Limited
Healthcare 9%	API Holdings, Tirupati Medicare, Neuberg Diagnostics, lenskart, Wanbury Towards Better Healthcare
Materials 9%	bilt, Jayaswal Neco Industries Limited, MCM Consulting Services, Steel Exchange India Ltd, TVS
Industrials 12%	Zetwerk, adani, meil
Utilities 12%	Adhunik, greenko, CleanMax, Alaknanda, GMR
Real Estate 35%	Shapoorji Pallonji, Auro Realty, SPR Construction Corporation, Omaxe New Chandigarh, Century

Note: 2025 sector data represents calendar-year activity. Illustrative largest disclosed issuers/issuer groups by deal value from Octus' 2025 deal appendix; not exhaustive. Parent/group logos are shown for certain SPV or subsidiary issuers.
Source: Octus.

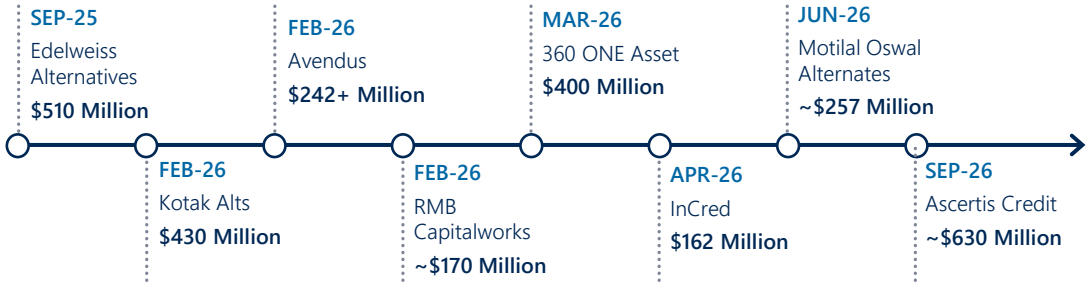
The 18% Plus Yield Is No Longer the Rule

Since 2023, a higher volume of private credit has been priced below 18% every year. The overall private credit market is deepening, as managers are specialising in specific market segments and targeting distinct illiquidity. Previously underserved financing needs have become established segments within the private credit market, with yields increasingly differentiated by strategy and risk profile.



Note: The above chart represents calendar-year data and considers deals greater than $3 million. Figures may not equal 100% due to rounding.
Source: Octus.

Fundraising tells the same story: over the past 18 months, marquee managers raised more than $2.6 billion across private credit vehicles, with over $1.0 billion dedicated to structured credit and special situations specifically to chase the complexity premium.



Note: This list is illustrative and not exhaustive. Quantum reflects publicly disclosed amounts raised, commitments, first or final closes, and second closes, as applicable. INR amount for Motilal Oswal Alternatives is converted to USD using the June 2026 average USD/INR exchange rate of ₹94.93 per US$1, sourced from the OECD Main Economic Indicators via FRED.
Sources: Business Line, CNBC TV18, Economic Times, Moneycontrol, Bloomberg, VCCircle, Khaitan & Co., and fund managers' websites/public announcements.

> *India's private credit market continues to be an attractive market, offering superior risk-adjusted returns and strong DPI for investors across fund cycles. As private credit in India matures, the real edge isn't in yield—it's discipline. This means not only maintaining high standards in underwriting, security structures, and covenants but also having a deep monitoring expertise.*
>
> **Amit Agarwal, CEO at Edelweiss Alternatives**

> *Alpha is concentrated in segments where complexity, structuring, and local expertise matter most... The sweet spot lies in capturing both the illiquidity premium and the complexity premium, where structuring capability drives differentiated return.*
>
> **Aakash Desai, CIO and Head of Private Credit at 360 ONE**

Complexity Has a Price: Valuation Pitfalls in Structured Credit

Valuation errors in structured credit rarely come from bad models—they commonly come from stale assumptions and questions that are not revisited as conditions change. For capital rotating into structured credit and special situations, the constraint isn't deal flow. It's valuing what you hold credibly. Because credits rarely deteriorate on schedule, the most expensive assumption is usually the one left unexamined. The pitfalls below separate a defensible mark from an optimistic one.

THE INPUTS: WHERE OPTIMISM ENTERS THE MARK

1. Is the Underwriting Discount Rate Commensurate With the Current Risk?

2. Are Cash Flow Assumptions Contractual or Event-Driven?

3. Is There Sufficient Coverage and Are the Guard Rails Adequate?

4. Do Underwriting Exit Assumptions Still Hold?

THE MONITORING: WHERE DETERIORATION HIDES

5. Is Performance Tracking to Plan?

6. Is the Company Likely to Breach Covenants?

7. Is Refinancing Risk Being Captured?

8. Is Governance Weakening?

THE DISCIPLINE: WHERE MARKS ARE DEFENDED

9. Do Marks Reflect Reality?

10. Have Downside Scenarios Been Tested?

11. Is Value Accretion Supported by Expected Realisation of the Redemption Premium?

> *It's too late to fix over-simplified valuation frameworks in year three or five of the holding period. Spend time on the framework up front, as the guidelines also now advocate.*
>
> **Rishi Aswani, Managing Director at Houlihan Lokey**

> *Capital structured to enable growth today, while aligning dilution with value creation tomorrow. Promoters retain operational control and avoid locking in dilution at sub-optimal valuations... The real economic dilution typically materializes only at the time of an exit.*
>
> **Rahul Chhaparwal, Managing Partner at Kotak Alternatives**

Regulatory Updates Impacting Private Credit in India

Recent Reforms Are Broadening the Lender Base, Deepening the Market, and Driving Yield Differentiation

External Commercial Borrowings (ECB) Liberalization | February 2026

Key parameters, previous versus liberalised regime.

Previous	Liberalized
$750 million annual automatic-route cap.	Higher of $1 billion outstanding ECB or total borrowings of 300% of stand-alone net worth.
Prescribed all-in-cost ceilings.	Market-based pricing.
End-use-linked minimum maturities.	Standard three-year minimum average maturity.*

What Changed

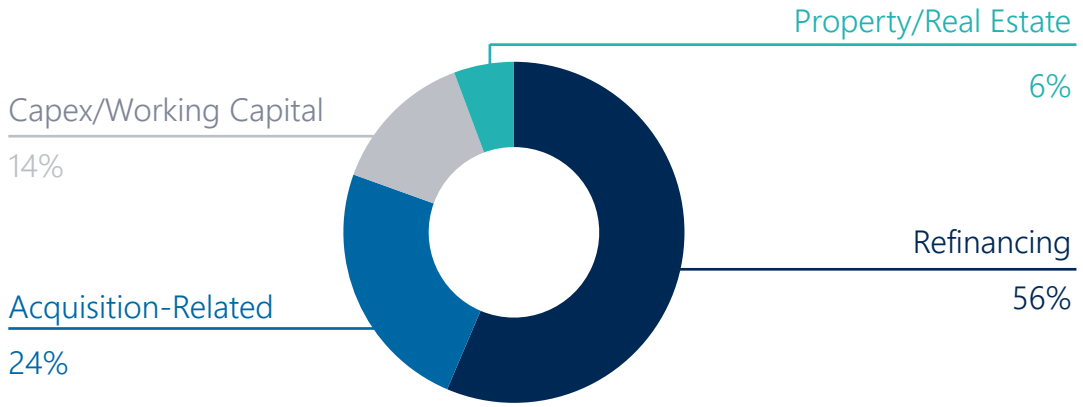
- → Higher limits, market-based pricing, wider eligibility.
- → ECB open to more borrowers and deal types.

Why It Matters

- → Expands the pool of capital available to Indian borrowers and broadens financing options.
- → Greater lender participation is deepening the market, with capital targeting distinct risk-return segments.

Acquisition Finance Framework | Effective July 2026

Private credit use of proceeds, 2025 (% of volume; rounded).**



What Changed

- → Total bank financing permitted up to 75% of the independently assessed acquisition value.
- → A bank's aggregate acquisition-finance exposure is capped at 20% of its eligible capital base.
- → Post-acquisition consolidated debt-to-equity ratio capped at 3:1 at the acquiring company.

Why It Matters

- → Bank participation expands acquisition financing capacity, while private credit remains relevant for more complex and bespoke structures.
- → Heightened competition is generating yield dispersion across private credit segments rather than systemic compression.

In June 2026, SBI joined 10 global banks in the financing syndicate for Sun Pharma's $11.75 billion acquisition of Organon, making it the only Indian lender in the group.

**Manufacturing-sector and specified transaction exceptions apply.*
***Based on announced deals.*
Sources: Octus; Reserve Bank of India notifications dated February 9, 2026, and March 30, 2026; public sources.

> *Bank and private credit collaboration can create robust financing structures across different tenors, seniorities, and return profiles, allowing banks to participate in tranches suited to their risk appetites while private credit can recalibrate risk norms and continue to serve complex, bespoke, and often accompanying needs.*
>
> **Kanchan Jain, Head at Ascertis Credit**

> *ECB liberalisation is Indian credit's 1991 moment, fittingly arriving 35 years after India opened its economy. Removing pricing, plus permitting control-acquisition financing without the capital adequacy standards Indian banks face, hands credit funds a regulatory arbitrage. I now observe ECB structures being discussed in far more private credit deals.*
>
> **Ashwin Bishnoi, Partner at Khaitan & Co.**

About Our Firm

Houlihan Lokey is the trusted advisor to more top decision-makers than any other independent global investment bank.

CORPORATE FINANCE

2025 M&A Advisory Rankings
All Global Transactions

	Advisor	Deals
1	**Houlihan Lokey**	**458**
2	Goldman Sachs & Co	441
3	Rothschild & Co	400
4	JP Morgan	364
5	Morgan Stanley	357

Source: LSEG.
Excludes accounting firms and brokers.

No. 1
Global M&A Advisor

Leading
Capital Solutions Advisor

FINANCIAL RESTRUCTURING

2025 Global Distressed Debt &
Bankruptcy Restructuring Rankings

	Advisor	Deals
1	**Houlihan Lokey**	**83**
2	PJT Partners Inc	55
3	Lazard	50
4	Rothschild & Co	44
5	Evercore Inc	33

Source: LSEG.

No. 1
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1,900+
Transactions Completed Valued at More Than $4 Trillion Collectively

FINANCIAL AND VALUATION ADVISORY

2001–2025 Global M&A
Fairness Advisory Rankings

	Advisor	Deals
1	**Houlihan Lokey**	**1,170**
2	Duff & Phelps, A Kroll Business	1,069
3	JP Morgan	1,034
4	UBS	769
5	Morgan Stanley	716

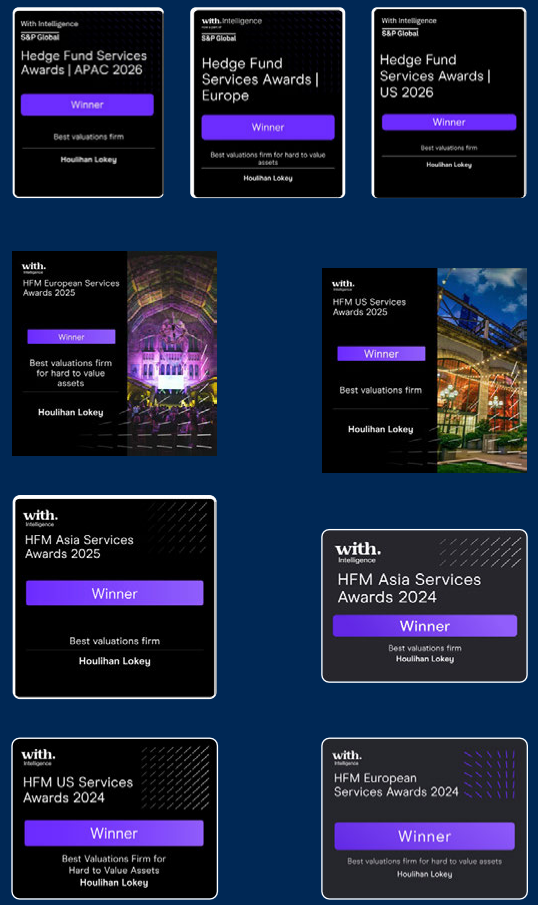
Source: LSEG.
Announced or completed transactions.

No. 1
Global M&A Fairness Opinion Advisor Over the Past 25 Years

2,500+
Annual Valuation Engagements

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AWARDS



Private Credit

Houlihan Lokey is the leading provider of direct lending and private credit valuations with experience in large private credit funds, BDCs, interval funds, venture debt funds, and distressed debt funds. We provide periodic valuations for thousands of assets across various industries and geographies daily, monthly, quarterly, and annually. Examples of Houlihan Lokey's Private Credit engagements include:

Client	Service	Houlihan Lokey's role
01 Large Private Credit Fund	Quarterly Range of Values	→ Houlihan Lokey is the sole valuation provider for a private credit fund with more than $40.0 billion in AUM. → Through this engagement, Houlihan Lokey prepares 150+ valuations on a quarterly basis.
02 BDC	Quarterly Range of Values	→ Houlihan Lokey's client is a business development company with more than $4.0 billion of AUM. → Houlihan Lokey prepares 75+ valuations on a quarterly basis.
03 Interval Fund	Monthly Positive Assurance	→ Houlihan Lokey's client is an alternative asset manager with more than $10.0 billion of AUM. → The client operates an interval fund that requires Houlihan Lokey to perform 100+ valuations on a monthly basis.
04 Interval Fund	Daily Point Estimate	→ Houlihan Lokey provides daily credit valuations for a private credit fund with billions in AUM. → Through this engagement, Houlihan Lokey uses proprietary technology to provide 75+ valuations on a daily basis.
05 Venture Debt Fund	Semi-Annual Range of Values	→ Houlihan Lokey's client is a special opportunity venture debt fund with more than $2.0 billion of AUM. → Houlihan Lokey prepares 20+ valuations on a semi-annual basis.
06 Mezzanine/ Distressed Debt Fund	Annual Positive Assurance	→ Houlihan Lokey's client is a debt fund specializing in distressed investments with more than $2.0 billion of AUM. → Houlihan Lokey prepares 10+ positive assurance valuations on an annual basis.

Houlihan Lokey has a Private Credit team with deep industry focus, which includes:

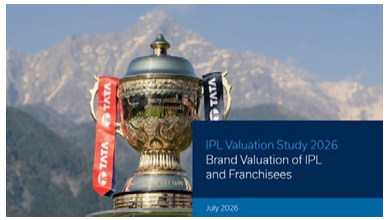
20,000+
Valuations Performed Annually

60+
BDC/Private Credit Clients

250+
Global Valuation Professionals

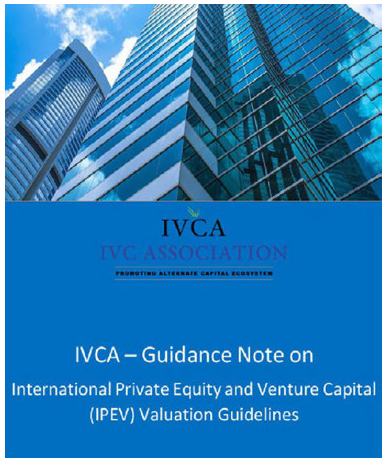
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Straight Years of Winning HFM's "Best Valuations Firm" Globally

Highlight | Houlihan Lokey's White Paper Series in India













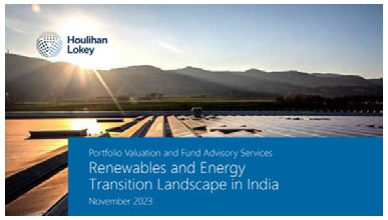


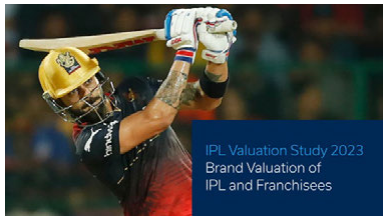












Our Team

Please reach out to one of the team members below for more information.



Rishi Aswani
Managing Director
Rishi.Aswani@HL.com
+91 92288 64188



Varun Munjal
Director
Varun.Munjal@HL.com
+91 92288 64144



Sarvesh Palekar
Director
Sarvesh.Palekar@HL.com
+91 92288 64145



Adnan Sura
Director
Adnan.Sura@HL.com
+91 92288 64146



Dhrumil Shah
Vice President
Dhrumil.Shah@HL.com
+91 92288 64148



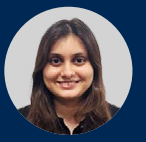
Aditya Bansal
Vice President
Aditya.Bansal@HL.com
+91 92288 14227



Amrit Vashishtha
Vice President
Amrit.Vashishtha@HL.com
+91 92280 35858



Priyal Shah
Vice President
Priyal.Shah@HL.com
+91 92288 64160



Sanushka Bhuta
Vice President
Sanushka.Bhuta@HL.com
+91 92288 64169

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