Our Take

# Tapping private credit opportunities in India

March 2025

# Contents



**The growing firepower of private credit funds is fast becoming evident. They can provide debt capital to the entire spectrum of assets, from performing to distressed, presenting opportunities for both investors and businesses. Shalini Shrivastav and Alhad Jamgaonkar trace the key trends.**

# 1. Growth of private credit

In 2021 when the stock price and portfolio valuations plummeted for an investment giant, it took a USD 5 billion-plus loan in the private credit market.[1]

More recently, a USD 5 billion fully-funded direct loan from private debt lenders was announced to refinance a FinTech firm.[2]

At the start of 2025, a global software company announced a debt raise of USD 5 billion. This is its largest debt raise to date, procured through a combination of private credit and bank debt.[3] The debt package included an annual recurring revenue loan, a revolving credit facility and a delayed draw term loan.

These multi-billion transactions funded by the private credit market represent a growing trend rather than isolated anomalies. Once perceived as finance providers to only short-term, small-sum, non-investment grade firms, these instances attest to the growing firepower of private credit funds.

Over the last two decades, private credit has become a compelling investment opportunity, and the traction is expected to continue in 2025. Within private credit strategies, direct lending had the largest share in 2024, securing more than 75% of the total capital raised (more than USD 150 billion). The second most-subscribed debt strategy was special situations, raising close to USD 25 billion.[4]

1. Bloomberg, 24 March 2022
2. Bloomberg, 15 August 2023
3. Bloomberg, 14 January 2025
4. Preqin Ltd. Private debt in 2025

In the domestic market too, private credit has emerged as one of the fastest-growing and new sources of capital in recent years.

For example, within the first few days of 2025, a leading alternative investment manager announced the launch of an INR 4,000 crore (USD 450 million+) private credit fund – its third since 2017. This will be lent in the seven-year tenure space with ticket sizes of INR 200 to 500 crore.[5]

Going by various indicators, this momentum is likely to sustain in 2025. Global and local pools of capital are finding investment avenues in various sectors. A recent transaction in the private credit sector has resulted in three private credit funds extending INR 3,200 crore debt facility to an established company in the steel industry.[6]

This transaction allowed the company to timely refinance high-cost debt earlier taken from an asset reconstruction company (ARC). The ARC had acquired this debt from the company's previous lenders and later restructured it.

The credit funds have provided this investment by purchasing non-convertible debentures (NCDs), which are set to mature in five years. The NCDs carry a 14.5% annual coupon rate, compounded monthly, plus an additional 3% coupon.

In another recent example, a prominent player in the sports industry secured financing through a notable bond issuance, raising INR 1,000 crore via unlisted, unrated, secured bonds with a high interest rate of 16% from two private credit funds.[7]

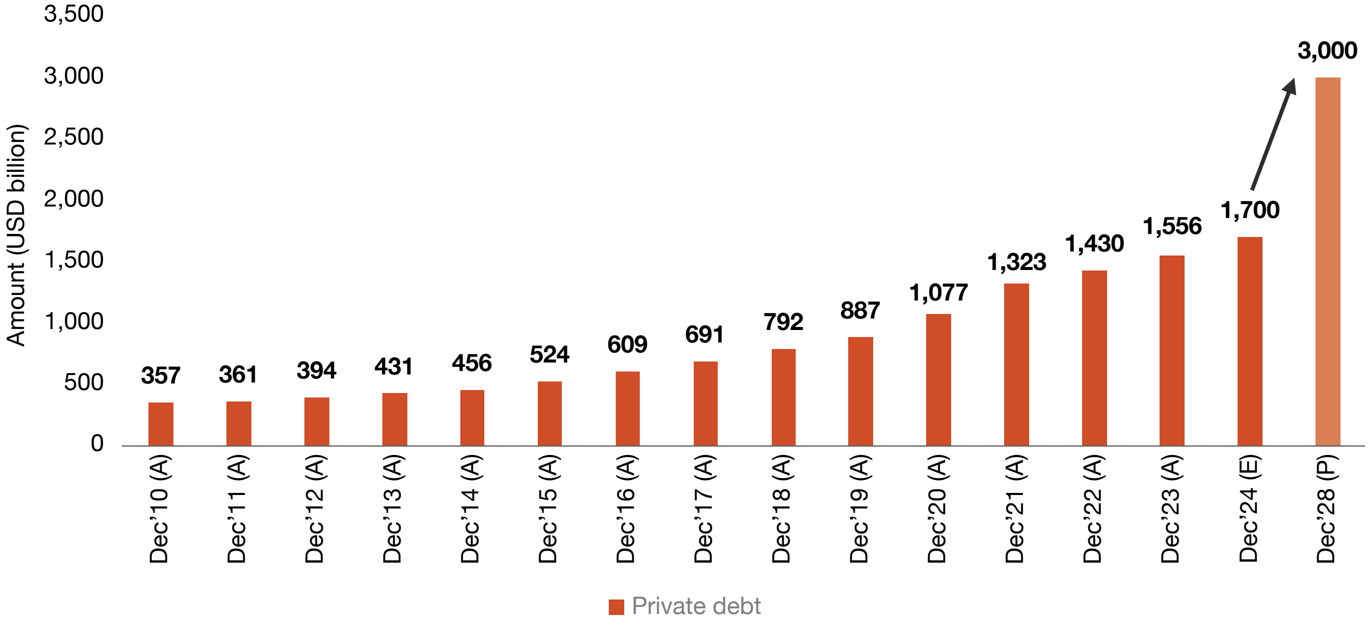
The purpose of this financing was multifaceted, to repay existing bonds, settle debts within the group, and acquire shares from within its affiliated companies. The private credit funds involved offer flexibility and competitive terms that enable the company to manage its financial obligations effectively. This approach is part of a broader strategy to manage existing debt and support diverse business ventures, demonstrating the critical role private credit plays in contemporary financial management.

When it comes to global trends, the aftermath of the global financial crisis (GFC) in 2007-08 was an inflection point for the growth of alternative lenders as financial authorities worldwide tightened norms for banks. Since then, the private credit market has grown both in terms of size and appetite – amassing around USD 500 billion in 2015, ballooning to USD 1 trillion by 2020 and becoming a USD 1.7-trillion industry in 2024.[8,9] Moreover, these are 'base case' numbers. As per certain industry reports, the private credit market exceeded the USD 2 trillion mark for the first time in 2024 and could reach over USD 3 trillion by 2028.[10]

5. The Hindu Business Line, 9 January 2025
6. The Economic Times, 9 December 2023
7. The Economic Times, 18 March 2024
8. Preqin Ltd.
9. RBI. June 2024. 'Financial Stability Report'
10. Bloomberg. Private debt will double to USD 3.5 trillion

* EBITDA – earnings before interest, taxes, depreciation and amortisation

**Figure 1: Global private credit assets under management (AUM)**




**Source:** Preqin Ltd. for actuals; literature review by PwC for estimates and projections

**Note:** To avoid double counting of available capital and unrealised value, fund of funds and secondaries are excluded.

Private credit is solidifying its position as a source of capital for borrowers and as an investment opportunity for lenders. It can offer investors several benefits such as:

**Diversification:** As an asset class, private credit can offer an attractive risk-adjusted return profile for investors looking to go beyond traditional asset classes.

**Yield enhancement:** Compared to traditional fixed-income instruments, private credit can offer higher yields in a low interest rate environment.

**Flexibility:** Private credit deals often allow for more flexible and customised financing solutions.

**Collaboration avenues:** Private credit can complement other financial instruments, thereby paving the way to collaborate with other financiers. For example, alternative lenders can cater to the debt requirements of portfolio investee companies of private equity investors.

**Growth impetus:** A private debt strategy fosters the ability to capitalise on lending opportunities in high-growth areas such as infrastructure, real estate, special situations, and mergers and acquisitions (M&A) financing.

**This paper focuses on the growing private credit market in India, and delves into the opportunities and challenges that lie ahead.**

# 2. The private credit arc in Asia

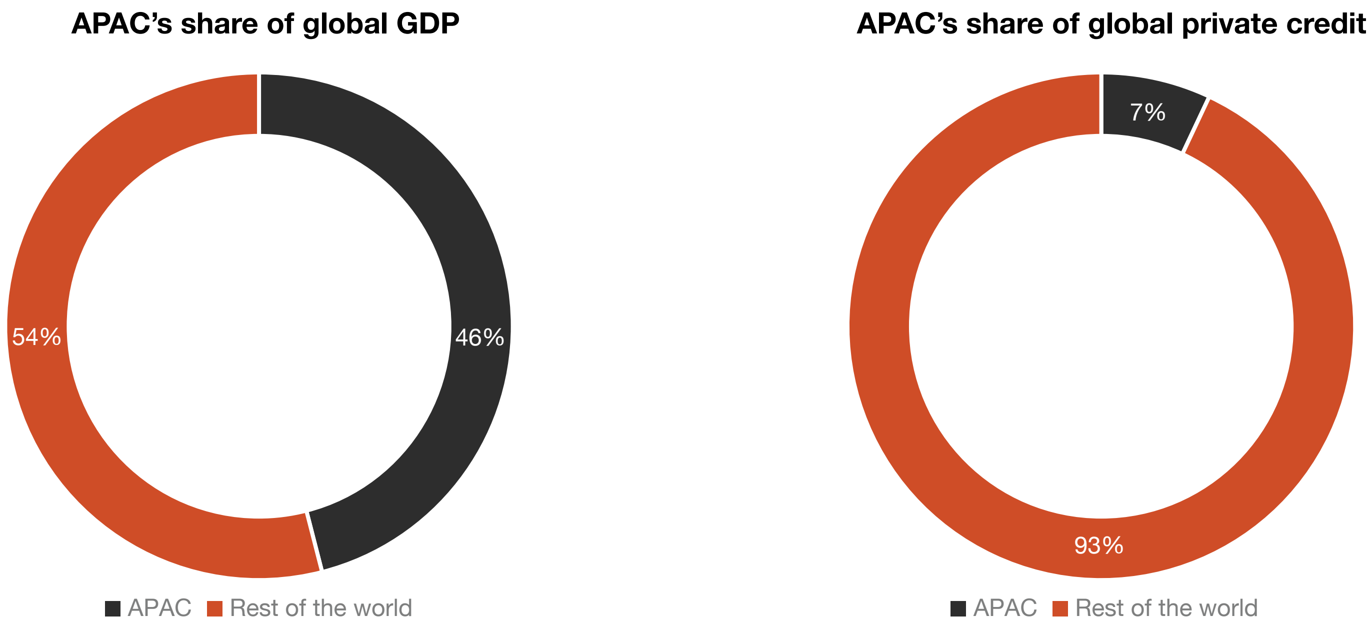
While private credit has generally been synonymous with middle-market lending, private credit funds in the US and Europe have been providing loans to much larger corporate borrowers. In Asia, however, private credit mostly finances smaller deals, targeting high-yield and distressed segments that have limited financing options.[11]

Moreover, most investors are local, and the Asian private credit market remains relatively small despite considerable growth. Asia-Pacific (APAC)'s share of the global gross domestic product (GDP) stands at 46% in 2025, while its share of global private credit is around 6 to 7%.[12]

Although the APAC private credit market has doubled in size over the past five years, it makes up a relatively small portion of the global market. North America is the most mature private credit market and accounts for around 60% of the global private credit AUM.[13] The ratio of private equity to private debt AUM is around 30x for APAC, compared to much tighter ratio levels for the US and Europe (approximately 5x and 3.5x respectively).[14, 15, 16] These figures indicate that there is scope for significant expansion of private credit in the APAC region's capital markets.

11. International Monetary Fund (IMF) April 2024. Global Financial Stability Report: The Last Mile: Financial Vulnerabilities and Risks
12. The Economic Times, Asia Pacific's private credit market poised for growth
13. International Monetary Fund (IMF). April 2024. Global Financial Stability Report: The Last Mile: Financial Vulnerabilities and Risks
14. IMF
15. IVCA
16. PwC analysis based on publicly available sources

Figure 2: APAC's share of global GDP and private credit




**Source:** IMF

Select key distinctions between the private credit market in Asia and rest of the world include:

**Market fragmentation:** Unlike the more consolidated markets in the West, Asia's private credit market is highly fragmented, with varying levels of market maturity across countries.

**Regulatory environment:** Different regulatory landscapes across Asian countries necessitate tailored investment strategies. For instance, the real estate bubble in certain geographies in 2024 led to a regulatory clamp-down, which created alternative lending requirements specific to that sector in that region.

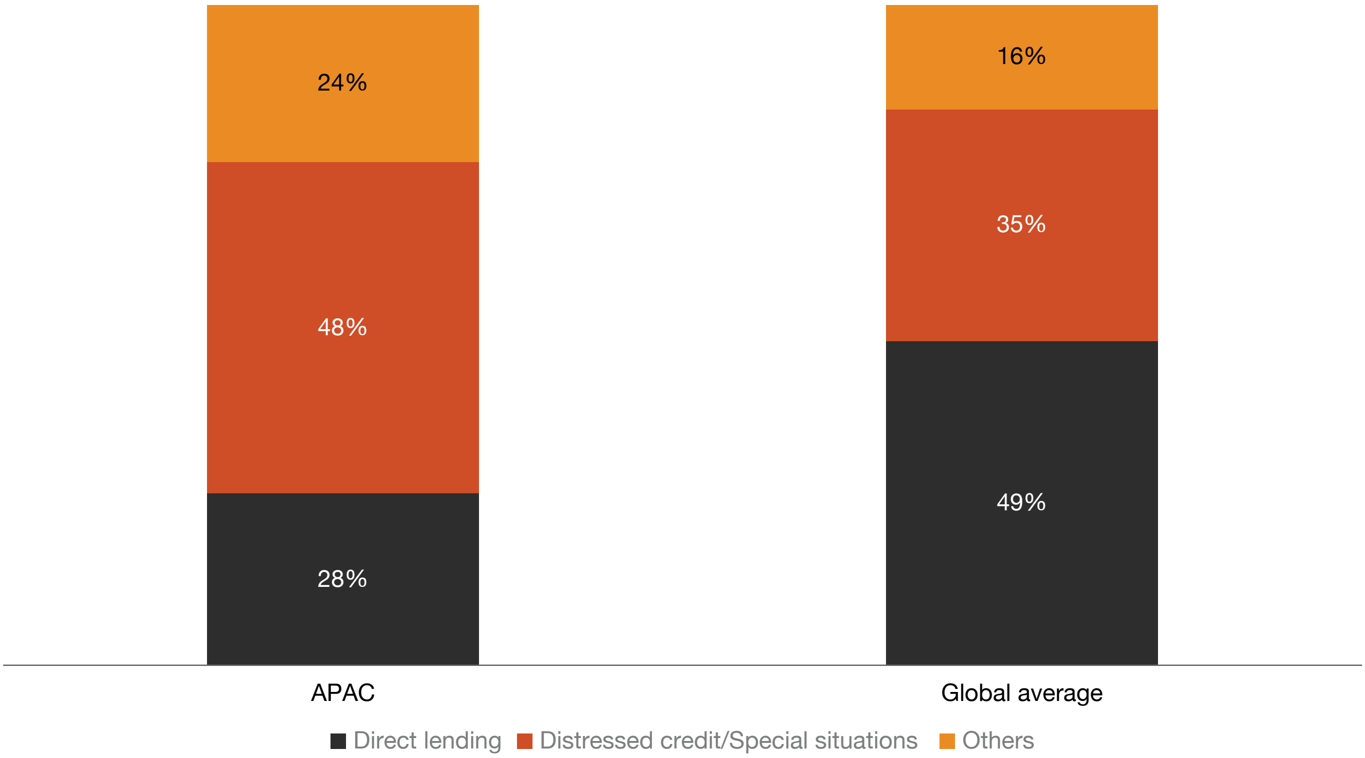
**Increasing proportion of domestic partnerships:** Relationship-driven business practices in Asia require private credit providers to build strong local networks and partnerships.

**High-growth economies:** High-growth economies such as India and Southeast Asian nations offer robust opportunities for private credit, backed by a strong demand for financing from small and medium enterprises (SMEs) and mid-market companies.

**Different sub-trends:** Distressed debt is a subset of private credit that focuses on restructuring companies that are struggling financially. At a global level, after hitting record highs in 2020 and 2021, distressed debt fundraising slumped in 2022. But there are signs that distressed debt could be back in the circuit. US corporate bankruptcy filings hit a 14-year high in 2024,[17] which indicates a higher number of companies in financial distress that could fuel demand again. By contrast, in Asia, special situations and distressed debt have always been a focus area for alternative debt financiers and constitute a relatively higher share of the overall private credit market, as indicated in Figure 3.

17 Financial Times. US corporate bankruptcies hit 14-year high

**Figure 3: Indicative segment-wise share of private credit**




**Source:** PwC analysis based on publicly available sources
**Note:** Sub-segments under 'Others' include venture debt and mezzanine.
Overall market as at the end of the last CY.

# 3. Rise of private credit in India

In 2024, India emerged as the fastest-growing G20 economy, achieving a 7% growth rate, driven primarily by robust domestic demand. By 2040, India aspires to become the world's second-largest economy, leveraging government initiatives, infrastructural developments, an improved ease of doing business, and a young, skilled workforce. Real GDP growth is projected to be between 6.3% and 6.8% in FY26.[18]

India's capital expenditure (CapEx) witnessed consistent improvement from FY21 to FY24 and, following the general elections, grew 8.2% year-on-year (YoY) from July 2024 to November 2024. Overall exports increased by 6%, with services exports rising by 11.6% YoY in the first nine months of FY25.[19]

During 2024, INR 11.1 lakh crore (USD 130 billion) was raised through equity and debt markets, marking a 5% increase from the previous year. Additionally, India reached a significant milestone in its economic trajectory, with gross foreign direct investment (FDI) inflows surpassing USD 1 trillion since April 2000.[20] This achievement was further reinforced by a 26% surge in FDI to USD 42.1 billion during the first half of FY25, reflecting India's growing appeal as a global investment destination.[21]

Despite recent foreign portfolio investment (FPI) outflows, India remains a favoured destination for foreign investors due to its strong economic growth prospects. According to PwC's 28th Annual Global CEO Survey: India perspective, India was ranked, for the second consecutive year, among the top five global investment destinations for CEOs looking to grow their companies' revenues over the next 12 months.[22]

18. The Ministry of Finance, Government of India, Economic Survey 2024-25
19. Ibid.
20. Ibid.
21. https://pib.gov.in/PressReleasePage.aspx?PRID=2083683
22. PwC, 28th Annual Global CEO Survey: India perspective

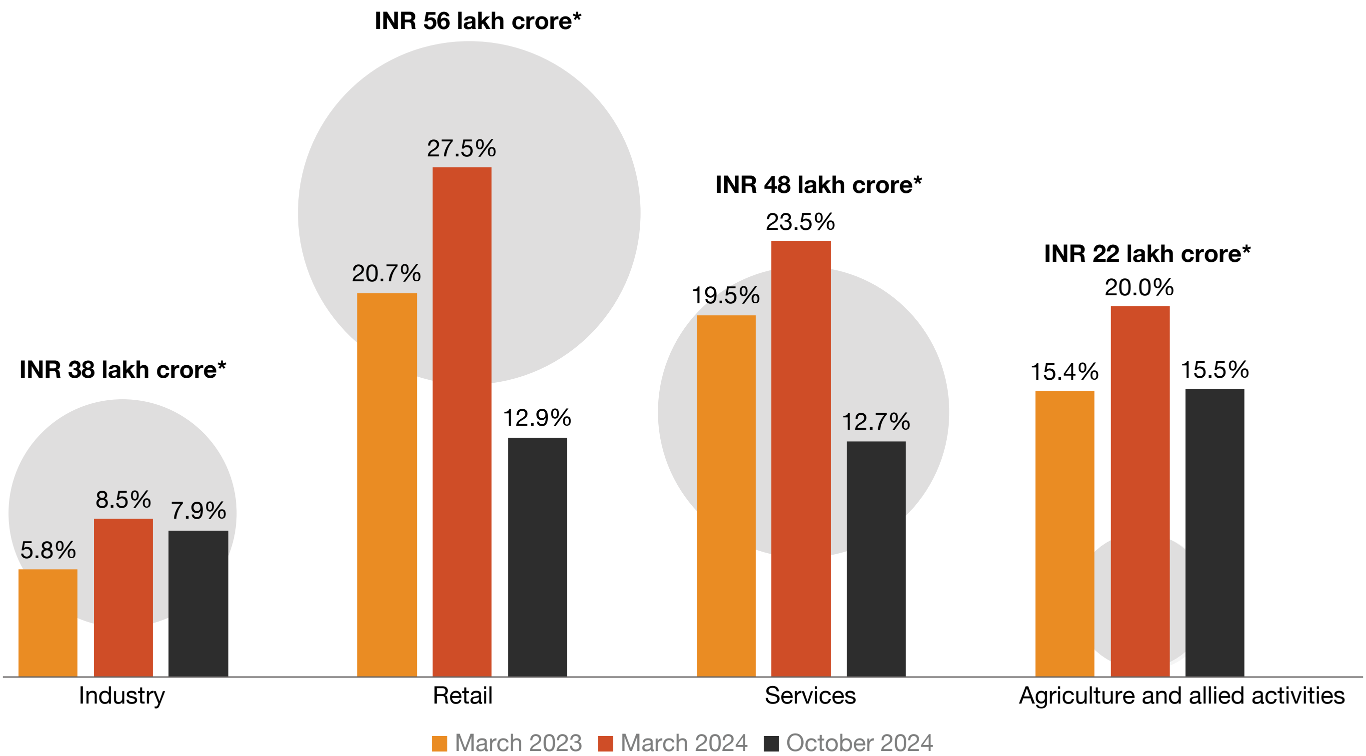
Overall, there is potential for greater opportunities for Indian corporates, along with the need for stronger risk management. This could lead companies to seek new sources of capital to finance their business growth.

## 3.1 Credit offtake

The banking sector remained on a strong footing in 2024, as gross non-performing assets (NPAs) of scheduled commercial banks (SCBs) reduced from a peak of 11.2% in March 2018 to 2.6% in June 2024.[23]

On the credit offtake side, while banks and non-banking financial companies (NBFCs) saw revival of the credit growth, the credit growth rate to industry did not see a similar trend. The pace of credit growth to industry in FY24 remained sluggish and lower than other sectors at 8.5%, resulting in a further decline in market share. As of March 2024, the share of industry in bank credit had shrunk to 23% from 25% in March 2023 and 27% in March 2022.[24]

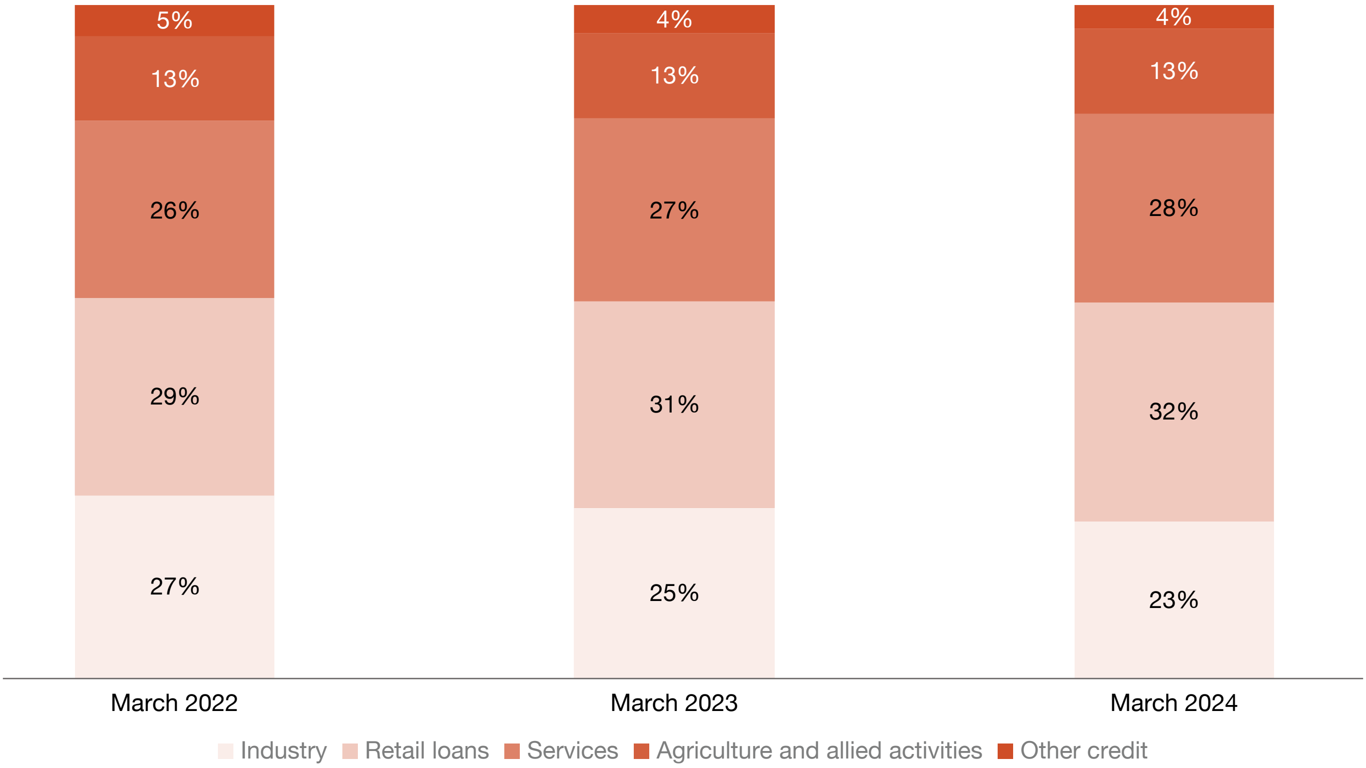
**Figure 4: Bank credit (YoY growth)**




**Sources:** RBI report on Trend and Progress of Banking in India, 2023-2024; 2022-2023; PwC analysis
*Bank credit deployment for year ending in October 2024; circles not in exact proportions.

23. The Economic Times, SCBs see a sharp drop in NPA ratio
24. The Times of India, Industry's share in bank credit shrinks to 23%: RBI

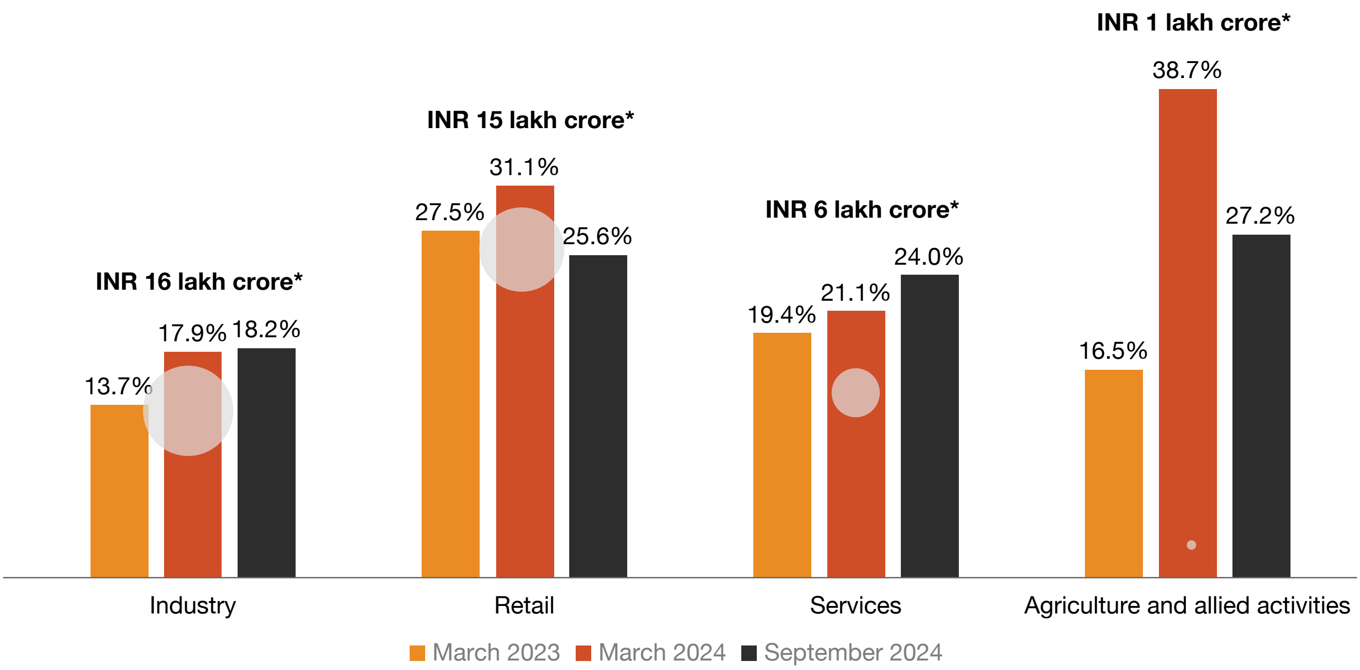
### Figure 5: Sectoral deployment of gross non-food bank credit




**Sources:** RBI report on Trend and Progress of Banking in India, 2023-2024; 2022-2023; PwC analysis

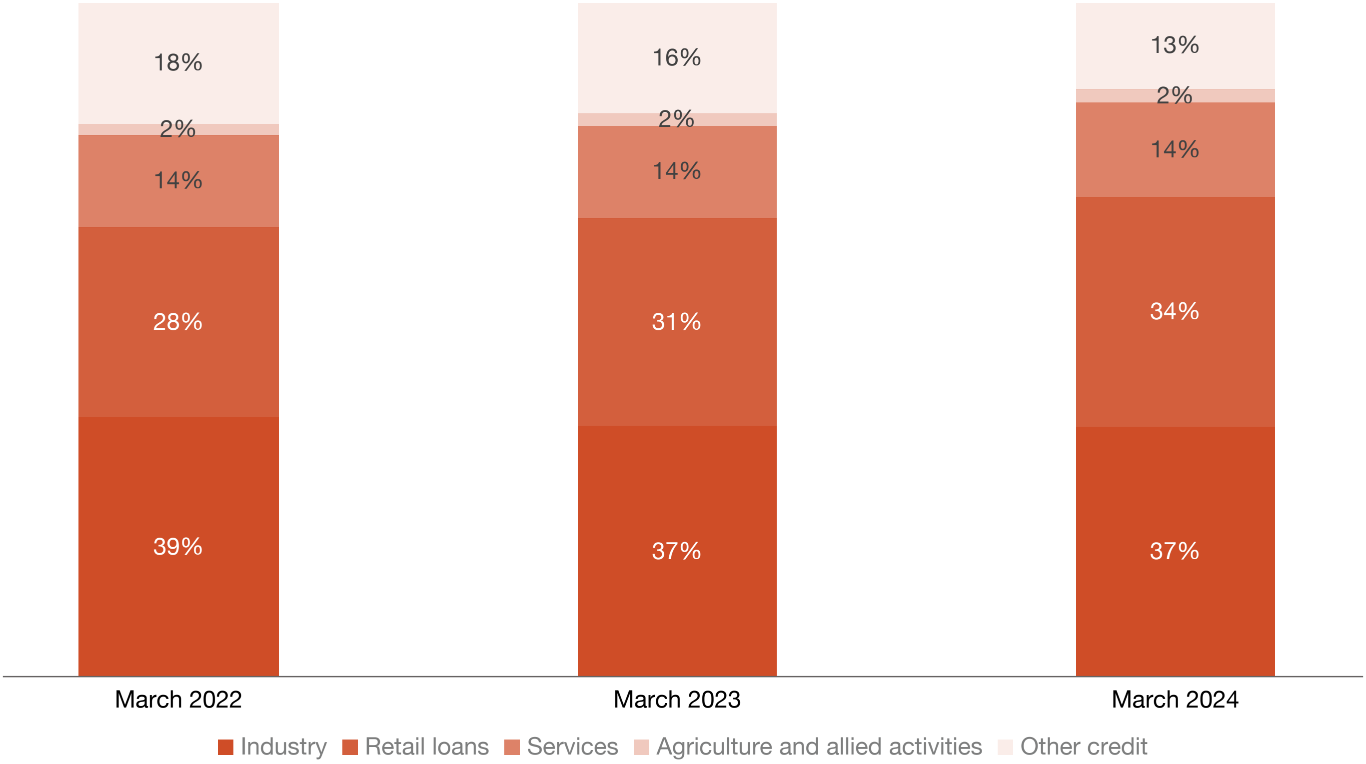
For NBFCs, a significant driver of credit growth came from retail portfolios.

### Figure 6: NBFC credit (YoY growth)




**Sources:** RBI report on Trend and Progress of Banking in India, 2023-2024; 2022-2023; PwC analysis
*NBFC credit deployment for the year ending in September 2024; circles not in exact proportions.

**Figure 7: Credit to various sectors by NBFCs**




**Sources:** RBI report on Trend and Progress of Banking in India, 2023-2024; 2022-2023; PwC analysis

The trends across the conventional lending industry appeared to indicate the declining share of industry in the overall credit, and greater focus of lenders on retail portfolios. One of the factors could be continued risk aversion of the banking sector, as evidenced by the decline in risk weighted asset density due to limited lending to lower-rated entities. Ratio of risk weighted assets to total assets has declined for banks from 74% to 58% over a 10-year period (as of December 2023).[25] This could point to an opportunity for alternative lenders to step in and lend to lower-rated corporates and mid-corporate borrowers, as well as manage capital market exposures and high-risk weight exposures.

Another important aspect was that bank lending to NBFCs grew at its slowest pace in four years, rising 6.7% in 2024 compared with a 15% growth in 2023.[26,27]

This sharp slowdown was driven by higher funding costs after the RBI raised risk weights on bank loans to NBFCs in November 2023. Regulatory uncertainty, along with the need for greater stability, pushed NBFCs to diversify their funding resources. Moreover, several external commercial borrowings (ECB) issuances were raised by NBFCs in 2024. Simultaneously, the constraints on resource raising by NBFCs can also create greater competition in their target market of mid-corporate and small borrowers. This can give space to alternative lenders to increase their share in these segments.

25. PwC analysis of RBI data
26. RBI report on Trend and Progress of Banking in India, 2023-24
27. PwC analysis

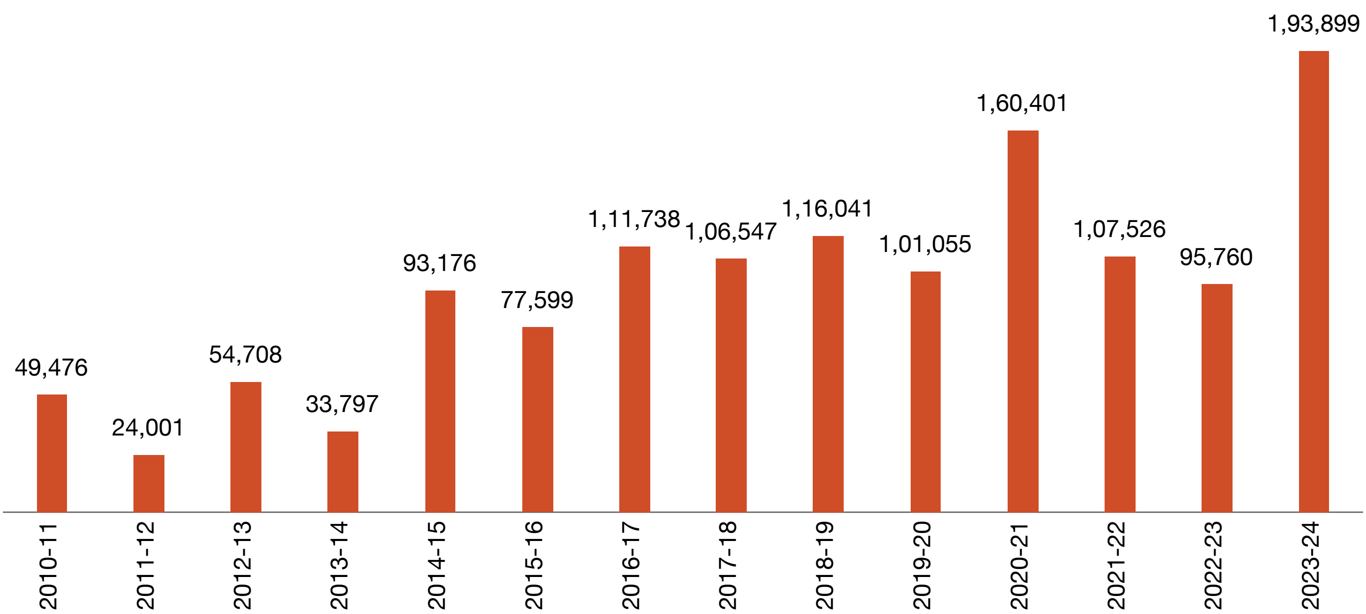
In the latest development in February 2025, the RBI has moved to reverse the earlier norms and reduced the risk weights for bank exposures to NBFCs.[28] This is expected to boost credit flow to the NBFC sector. The impact on the overall lending market will become clearer over the next few months.

## Private placement volumes

Another notable trend was the increase in resource mobilisation from private placements. Issuance volumes by private sector non-financial borrowers in the private placement market neared INR 2 lakh crore (~USD 23 billion) for the first time in 2024. While these volumes were across all issuer credit rating categories and investor types, the vibrancy in the private credit market could also have been a contributing factor for these volumes.[29]

**Figure 8: Resource mobilisation through private placements**

**Private sector non-financial institutions (INR crore)**



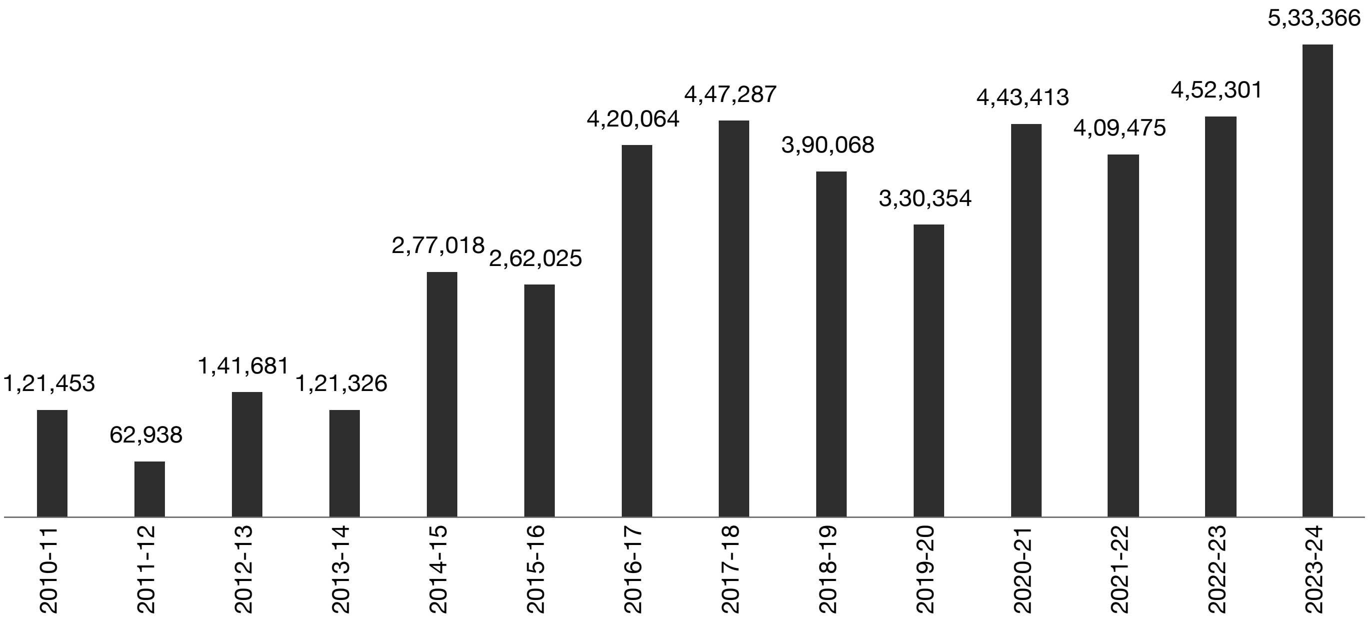

**Source:** Data from RBI website

28. Mint, RBI reduces risk weights on bank loans to NBFCs, MFIs
29. RBI data; Note: Data for 2023-24 are provisional

The resource mobilisation in private placements for private sector financial and non-financial institutions combined was also at an all-time high, crossing INR 5 lakh crore (~USD 63 billion).

**Figure 9: Resource mobilisation through private placements**

**Private sector financial and non-financial institutions (INR crore)**




**Source:** Data from RBI website

## 3.2 Headroom for private credit growth

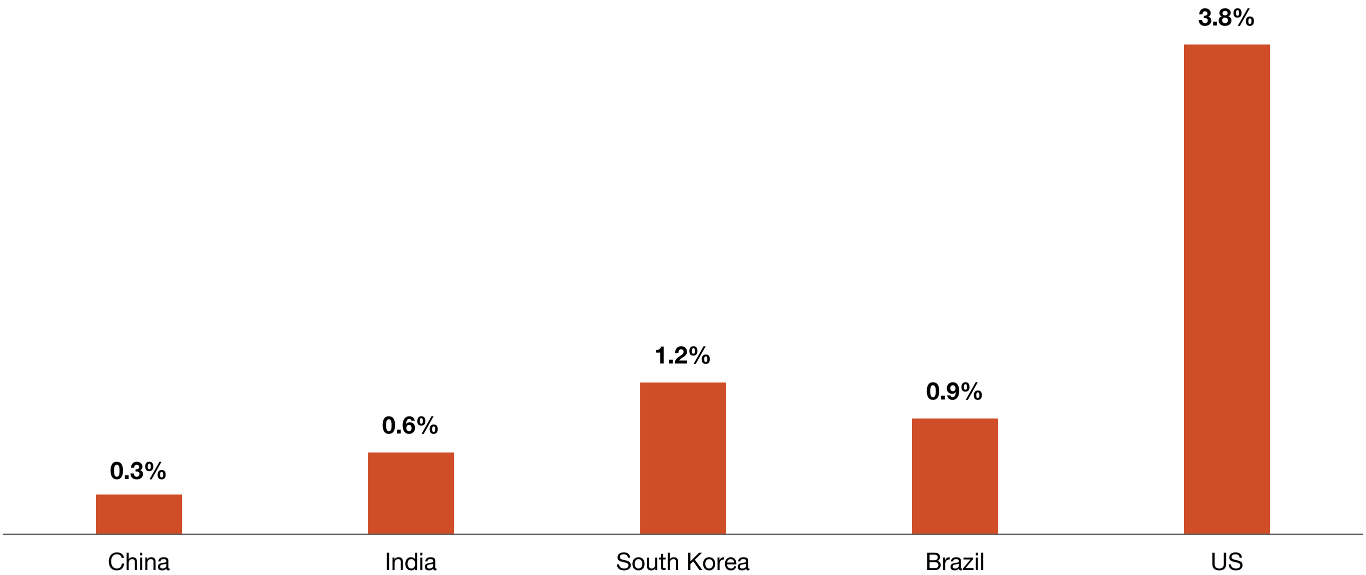
By stepping into the white space that banks and NBFCs are unable to address, private credit is fast becoming a pivotal player in India's financial landscape, driving economic growth through increased access to capital. With large credit funds investing in Indian companies in both the stressed and performing credit space, private credit brings flexible capital to corporates that are unable to access conventional lending. Simultaneously, it offers superior returns to investors. India has emerged as one of the largest private debt markets in the APAC region and could account for as much as 30% of private credit fundraising by the end of 2025.[30]

Several alternative investment managers also acknowledge that private credit is one of the fastest growing verticals for their businesses.[31] Leading alternative asset managers contend that in 2012, Indian private credit was largely collateral-based funding such as loan against property (LAP) and the market size was closer to USD 500–600 million per annum of deals. Based on the reported volumes and deal closures, it is estimated that the Indian private credit market was in the range of USD 10 billion in deal size in 2024. This is more than 10x growth in terms of market size.[32] Currently, private credit AUM in India is estimated to be in the range of USD 25 billion.[33]

30. Preqin Ltd.; literature review by PwC
31. PwC market intelligence
32. PwC discussions with industry players
33. The Economic Times. Mid-tier businesses turn to private credit firms

Similar to other Asian countries, India's private credit-to-GDP ratio is less than a fifth of the level in mature markets such as the US.[34,35] This indicates headroom for strong growth of the domestic private credit industry.

**Figure 10: Private credit AUM as a percentage of GDP**



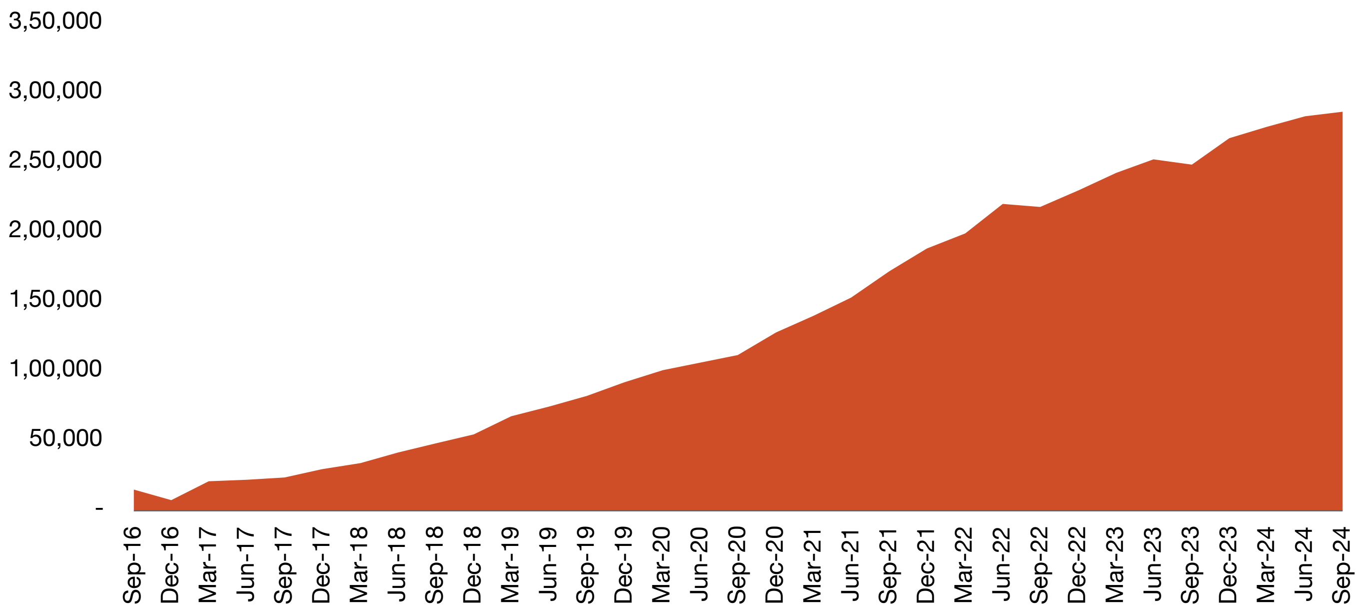

**Source:** PwC analysis; IMF; The Economic Times

The investor pool for private credit has widened, with investors lending across performing credit, real estate, core sector and special situations or distressed credit. Historically, offshore foreign portfolio investors (FPIs) contributed a large part of the private credit invested in India. Today, a majority of private credit platforms in India are structured as Securities and Exchange Board of India (SEBI)-governed Category II alternative investment fund (AIF) entities, which have the ability to access both offshore and domestic capital. Category II AIF investments have grown at a strong pace over the last 8–10 years, as shown in Figure 11.[36]

34. PwC analysis based on publicly available sources
35. IMF data
36. SEBI data

### Figure 11: Growth of Category II AIFs

**Investments made - Cumulative net figures (in INR crore)**

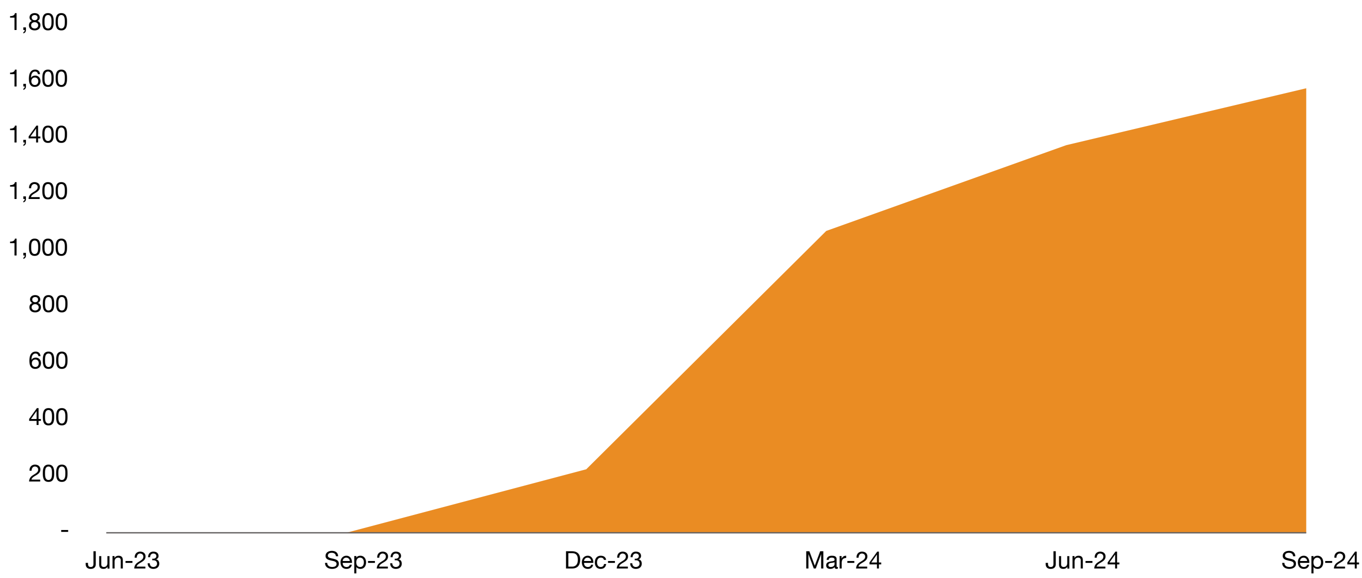



**Source:** SEBI

In 2016, the path-breaking Insolvency and Bankruptcy Code (IBC) was introduced in India. Since then, a strong distressed assets market in India has developed. Special situation funds (SSFs), a sub-class of Category I AIFs that focus on distressed assets and invest through different instruments, including private debt, have also shown steady growth over the last few quarters, since the January 2022 announcement regarding the norms for SSFs.[37]

### Figure 12: Growth of SSFs

**Investments made - Cumulative net figures (in INR crore)**




**Source:** SEBI

37. SEBI data

The following table presents a snapshot of the key drivers that have led to the emergence of private credit as India's largest structural opportunity.

**Supply-side growth drivers – increase in investors**

**New capital providers: Startups, family businesses and HNIs**

High net worth individuals (HNIs) and family wealth offices have emerged as the largest domestic investor pool in private credit platforms.

Climate-conscious investors can achieve targeted investments in high-impact projects through impact funds specifically set up with this objective.

**Need for differentiated risks and returns**

New investor classes are looking to diversify their investment portfolios, and private credit provides them with an alternative asset class. Sophisticated investors find the higher risk-reward profile of private credit investments appealing and have contributed to much of the growth in this space.

**New regional allocation strategies**

Global private equity firms and institutional investors are increasingly eyeing the Indian market, attracted by the potential for high returns. In recent years, several international alternative asset managers have launched Asia-focused funds. Furthermore, many institutional investors in the region intend to increase allocations to private credit.[38] While equity investments may experience volatile returns, private credit offers a more predictable cash flow.

**Regulatory reforms – creation of new investor ecosystems**

A notable development in this area is the establishment of Gujarat International Finance Tec-City (GIFT City) financial hub, which offers the ideal location for aggregating international capital. Its advantages include a light-touch regulatory regime as well as the availability of efficient structuring options. While only a handful of the 171 AIFs are set up as private credit funds at GIFT International Financial Services Centre (IFSC) at present, this number is expected to increase in the future. GIFT IFSC is also attractive for Indian fund managers who wish to invest in global private credit markets.

**Regulatory reforms – mechanisms to deal with non-performing assets (NPAs)**

Watershed reforms such as the IBC, 2016 have enhanced India's ease of doing business and the overall investor confidence in India's financial markets – including the private credit market.

38. International Monetary Fund (IMF). April 2024: Global Financial Stability Report: The Last Mile: Financial Vulnerabilities and Risks

## Demand-side growth drivers – increase in offtake

**Market disruptions leading to change in resource mix of borrowers**

While banks have been the primary source of funding in India, they face mounting regulatory pressures and capital adequacy requirements, thereby restricting their risk appetite and lending ability. This creates increased opportunities for alternative lenders.

The NBFC crisis in 2018 led to a contraction of liquidity for non-bank lenders, which reduced the lending share of NBFCs. The COVID-19 crisis compounded the impact.

The shift from informal sources of debt finance traditionally prevalent in India (such as money lenders) to institutional sources of borrowing has also assisted in the market penetration of private credit funds.

**Regulatory regime**

Regulatory reforms such as the IBC, 2016 have created a wide spectrum of new investment opportunities for private credit lenders.

Regulatory restrictions on banks to fund certain end uses – such as share acquisition, land acquisition and equity investments – can be catered to by alternative lenders.

Regulatory clamp-down/higher risk weights for sectors such as NBFCs, real estate, capital market exposure has rendered traditional bank funding inaccessible or costlier.

**Sectoral growth**

India's fast-growing economy demands increased financing in sectors such as real estate, energy and manufacturing.

Many of these industries are also the focus sectors for private credit platforms. For instance, real estate was one of the top sectors in the Indian private credit market in 2024, commanding around 25% of the overall deals by sector.[39]

**Mid-market demand and rise of new-age businesses/innovation**

Mid-market borrowers are often non-rated or do not meet the threshold credit rating stipulated by conventional lenders. This leads to them becoming a large target base for private credit.

Private credit funds can be instrumental in funding sunrise sectors/new-age businesses such as artificial intelligence (AI) development, R&D, early-stage business models, where traditional capital may not be easily available.

**Startup liquidity needs and financial distress**

Growth is also being driven by entrepreneurs looking for short-term debt to bridge the funding gap due to difference in pricing for equity dilution.

Some marquee startups, such as a leading EdTech company, have also faced financial distress and availed of private credit to help tide over the situation.

39. PwC estimates


# 4. IBC's catalysing impact on private credit

Under the IBC, the Corporate Insolvency Resolution Process (CIRP) is targeted to be completed within an average period of 330 days, which includes the time spent on litigation. Earlier, this process would take over four years to complete.[40] As per the data released by the Insolvency and Bankruptcy Board of India (IBBI), till September 2024,1,068 CIRPs had yielded resolution plans. The creditors realised INR 3.55 lakh crore under these resolution plans.[41]

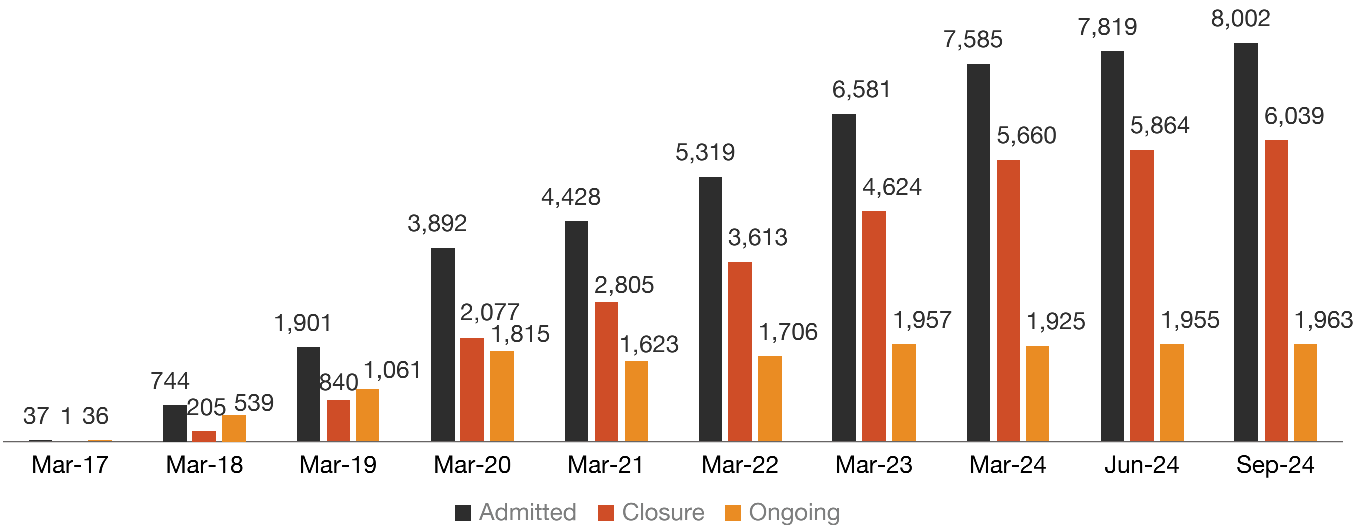
The IBC provides a robust legal framework to facilitate the resolution of distressed businesses while also encouraging innovation and risk-friendly behaviour. Through the IBC, investors can obtain distressed assets at competitive prices. Apart from this, accelerated case resolutions under IBC have spurred mergers and acquisitions in India, enabling bidders to secure stressed assets under favourable financial terms.

IBC also provides an effective resolution tool for alternative asset managers – for instance, private credit lenders/AIFs cannot use the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act of 2002 to settle their dues without court intervention like traditional lenders. They can, however, use IBC for recoveries.

40. Understanding the IBC - A handbook by IBBI and International Finance Corporation (IFC)
41. IBBI newsletter July-September 2024

The following figures depict the trends in CIRP cases under IBC, along with a sector-wise breakdown.

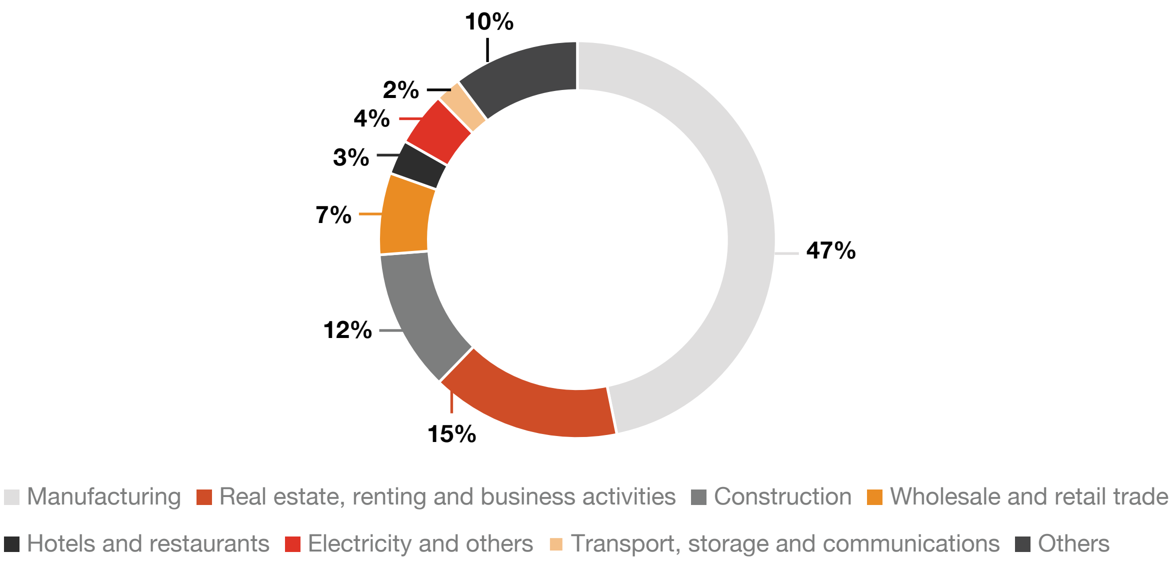
**Figure 13: CIRP cases (March 2017 to September 2024)**




**Source:** IBBI Newsletter July-September 2024

**Note:** The IBC has rescued 3,409 corporate debtors (1,068 through resolution plans, 1,221 through appeal or review or settlement and 1,120 through withdrawal under section 12 A) till September 2024. It has referred 2,630 CDs for liquidation.

**Figure 14: Sectoral distributions of CIRPs: Resolution plans**




**Source:** IBBI newsletter July-September 2024

The pace of resolution plan approvals under the IBC has stepped up. There has been a steady increase in the number of cases admitted and resolution plans approved. As per the data from IBBI, FY2024 clocked the highest number ever for resolution plan approvals, with 269 cases getting the National Company Law Tribunal (NCLT) go-ahead – a 42% growth over 189 cases in FY2023. This points to continued opportunities for private credit lenders through the strengthening of the IBC ecosystem.

The sectoral profile of resolution plans indicates that sectors such as manufacturing, real estate and hotels account for 65% of the companies resolved. These sectors are well-suited for private credit play due to their strong correlation with India's overall growth story.

# Our take

## 5. Unlocking opportunities in private credit

### 5.1 Overall market and lending strategies

Private credit is being raised through bespoke deals for a variety of end uses. The Indian private credit market witnessed 15–16% growth in value and volume in 2024 with forecasted growth rate of about 25–30%.[42]

**Current major use cases**

**Refinance**

Generally, banks and NBFCs are unable to offer extended maturities due to takeover norms in case of financial difficulty. Private funds can offer a solution by refinancing the performing debt with a longer maturity, longer moratorium and a combination of cash and payment-in-kind (PIK) structures that align with the borrower's cash flow.

**Acquisition financing**

Private credit funds can support in acquisition financing, an area that traditional banks often struggle to fund due to regulatory restrictions. These funds provide the flexibility needed to create tailored financing arrangements – sometimes secured by shares and/or ones that may include an equity-linked return component.

**Growth capital**

Growth funding is essential for supporting companies that are facing challenges in securing traditional bank loans, including sectors like gems and jewellery, engineering, procurement and construction (EPC), ship financing, NBFCs, and early-stage real estate firms. Mezzanine or junior debt can be an effective tool for these companies, providing the necessary capital to scale up without significantly altering the ownership structure.

Private credit can also help in infrastructure projects – e.g. in case of project cost overruns that necessitate financing options (such as last-mile funding) which are not readily available from banks.

**Bridge funding**

Bridge loans can serve as a vital source of short-term funding for companies navigating cash flow mismatch situations such as delay in receivables. Alternative lenders can also extend bridge loans to companies facing uncertainties of the IPO process or various equity funding rounds, caused by volatile markets or regulatory challenges.

42. PwC estimates

## Emerging use cases

### Venture debt/early-stage investments

Venture debt serves as a critical financing tool for early-stage companies that have successfully raised equity but require additional capital to fuel growth. This type of funding allows these businesses to continue scaling while minimising equity dilution, offering a strategic financial solution for startups aiming to accelerate their development.

In sectors like pharmaceuticals and other innovative industries, private credit can support extensive R&D funding, enabling companies to advance innovation and bring new products to market.

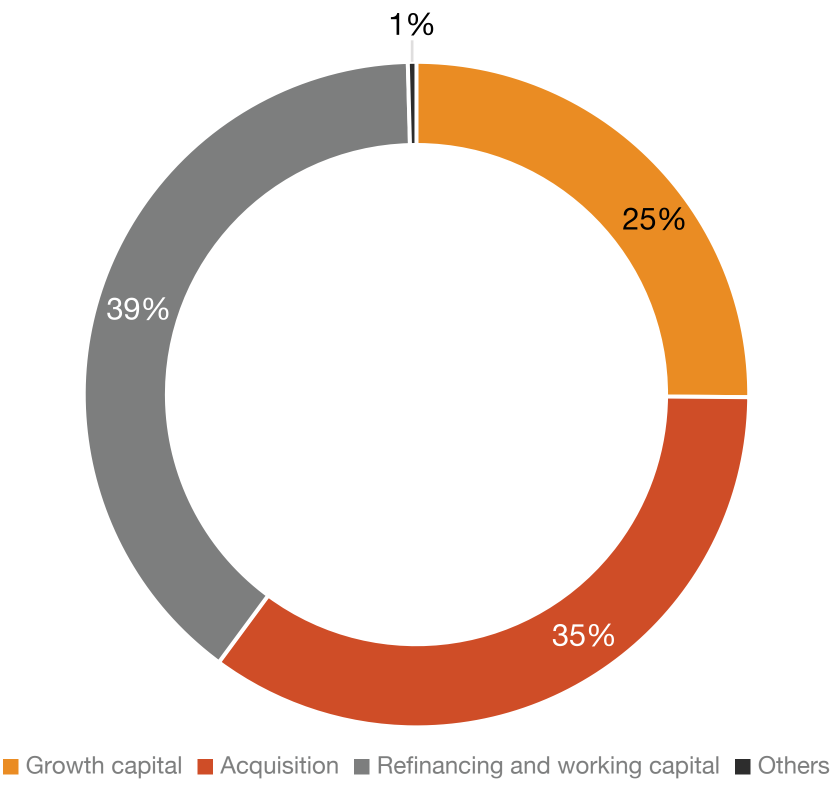
### Impact investing

Impact investing has gained traction over the past two decades – galvanised by investors' desire to respond to the crises besetting the global economy and society. Private equity is often associated most closely with impact investing; however, private credit is also attracting more attention.

Much of the asset class's focus is on sectors with the greatest urgency to effect change – environmental sustainability, financial inclusion, healthcare, education, food security and social infrastructure.

An analysis of deals comprising around 80% of the overall market in value terms reveals that the facility utilisation pattern is as shown below (Figure 15).[43] This includes transactions across all risk profiles: performing, high-yield and stressed.

### Figure 15: Facility utilisation of deals




**Source:** PwC analysis based on public sources such as company filings and National Securities Depository Limited (NSDL) data on private placements for deals covering 80% of the market in terms of size.

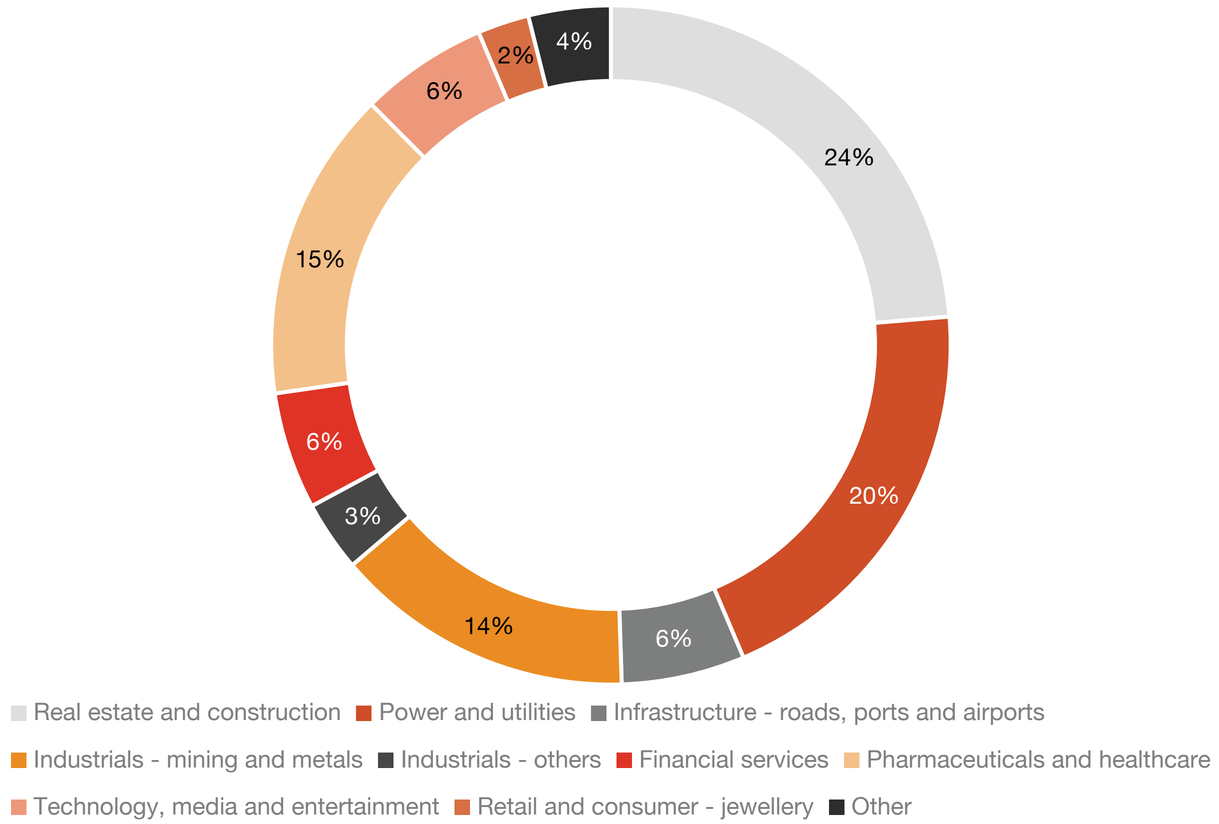
43. PwC analysis based on public sources such as company filings and NSDL data on private placements have been used in this section – for deals covering around 80% of the market in terms of size.

Notably, in 2024, there were also instances of financing of acquisitions in the AI domain and bridge to IPO.

In terms of instruments, around 80% of the total size was by way of NCDs/bonds, and the balance was in the form of loans and convertible bonds. In value terms, ticket sizes greater than USD 50 million (INR 450 crore approximately) contributed around 70%.

Following is the sectoral profile of private debt transactions by Indian companies and conglomerates in 2024:

**Figure 16: Sectoral profile of private debt transactions in 2024**




**Source:** PwC analysis based on public sources such as company filings and NSDL data on private placements for deals covering 80% of the market in terms of size.

This indicates a well-diversified sectoral mix, with a significant share of key sectors such as real estate,[44] power and utilities, pharmaceuticals and healthcare, infrastructure, industrials (mining and metals), and financial services. Within the power and utilities sector, solar and renewable deals constituted around 35% of transactions, reflecting the ability of alternative lenders to cater to growth-hungry sectors.[45,46]

Considering the new deal announcements at the beginning of 2025, the traction is expected to sustain in the current year.

44. Including hotels and warehousing
45. RBI report on Trend and Progress of Banking in India, 2023-24
46. PwC analysis


## 5.2 Distressed asset strategies

A strategic approach that combines a deep understanding of both credit markets and specific challenges associated with distressed assets is required to unlock opportunities in private credit for distressed assets and to manage associated risks. A few areas where private credit funding can yield positive outcomes are outlined below:

### Turnaround working capital

Private credit can play a crucial role in providing turnaround working capital to distressed companies. This involves extending short-term loans to stabilise operations, improve cash flows and facilitate business recovery.

### Loan buyouts/refinance

Private credit funds can engage in purchase of distressed loans from banks at a discount, by subscribing to security receipts (SRs) issued by ARCs. In addition to helping banks clean up their balance sheets, this provides an opportunity for private credit providers to realise significant returns through restructuring and recovery.

Apart from corporate stress, retail portfolio stress also offers an investment avenue for private credit investors that have a distressed assets strategy. As per the Reserve Bank of India's Financial Stability Report for December 2024, rising impairment was seen in the unsecured retail loan portfolios of banks as well as NBFCs. The share of unsecured retail portfolio sales to ARCs is on the rise. During Q1 FY 2025, the SRs issued by ARCs against buyout of unsecured loans grew by 5% (YoY), while overall SRs grew by only 1%.[47] Here, private credit investors can partner with ARCs to invest in stressed retail portfolio acquisitions. Once the personal insolvency provisions within the IBC are operationalised, it can provide an institutional mechanism for addressing retail borrower stress. The skill sets needed to achieve recoveries from retail exposures are highly specialised. Therefore, private credit investors and their partner institutions will need to build the required skills as well as modify internal systems and infrastructure to cater to these specific requirements.

47. Livemint, Asset reconstruction companies see spike in unsecured loan sales

## Interim finance

Interim finance, also known as bridge financing, is another lucrative avenue. Private credit providers can offer short-term loans to companies undergoing restructuring under the IBC, ensuring continuity of operations until a long-term resolution plan is finalised.

Conventionally, traditional lenders have either been hesitant to extend interim finance to distressed entities or have extended the bare minimum interim finance required for the completion of the insolvency resolution process. Interim finance under the IBC is accorded a 'super-priority status' while the claims against the CD are being discharged. Therefore, interim finance can provide a significant opportunity for lenders who have a higher risk appetite, such as private credit financiers.

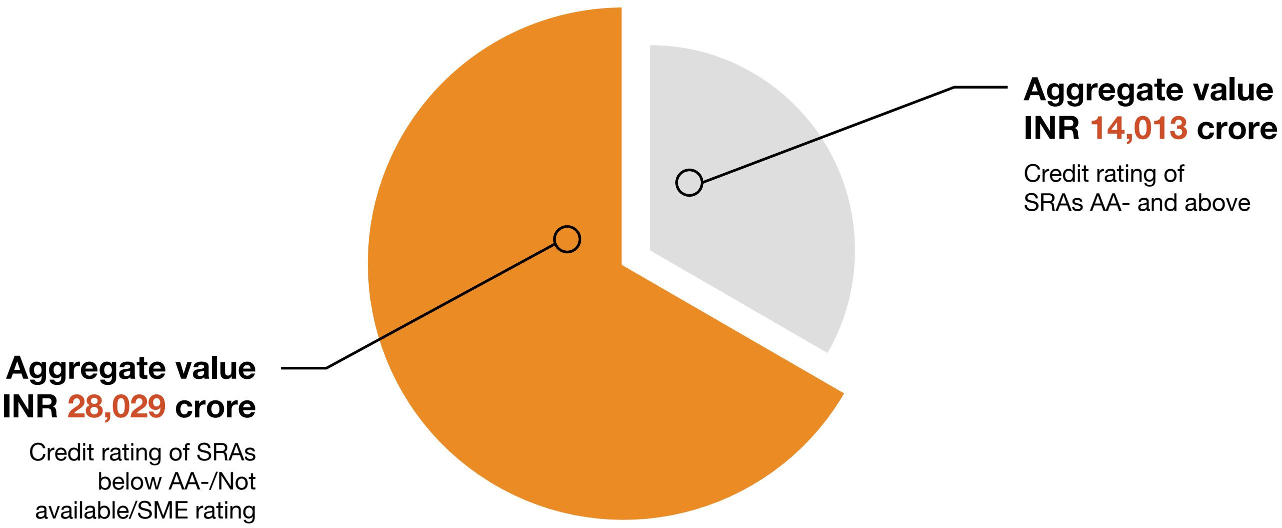
## Buyer financing

In the context of asset sales under the IBC, private credit providers can offer buyer financing, enabling potential buyers to acquire distressed assets. Besides facilitating the resolution process, buyer financing creates new investment opportunities.

An analysis of resolution plans approved under the IBC from January 2023 to September 2024 (realisable value between INR 100 crore and INR 2,000 crore) reveals that the successful resolution applicants for almost 70% of the cases (in terms of realisable value under the approved resolution plans) were rated A category and below, or were non-rated or had SME rating.[48] Several of these could potentially access private credit for financing the resolution plan requirements. The aggregate size of the approved resolution plans in the considered bracket was about INR 28,000 crore (i.e. around USD 3 billion), representing a substantial financing opportunity.[49]

48. PwC analysis based on IBBI data
49. PwC analysis based on IBC data

**Figure 17: Resolution plans approved between January 2023 and September 2024 (realisable value between INR 100 crore and INR 2,000 crore)**




**Source:** IBBI newsletters (January 2023 to September 2024)

## Litigation funding

Litigation funding is an emerging avenue where private credit funds finance legal proceedings in return for a share of the settlement. This can be particularly useful in the context of complex insolvency cases, where significant recoveries are anticipated.

The global litigation funding market was valued at nearly USD 11 billion in 2018 and is projected to grow to around USD 22 billion by 2027.[50] In India, while the track record for the success and recovery of avoidance trades has been limited so far, they do have the potential to release enormous value. Creditors have now acknowledged that avoidance applications cannot be expected to be completed prior to the adoption of a resolution plan due to their complex and time-consuming nature. Hence, to maximise the return to creditors, developed jurisdictions allow third-party litigation funding (TPLF) in insolvency. Since litigation funding is relatively new in India, it can be a potential product offering by private credit platforms.

**Various private credit products can be positioned at different stages of a distressed asset lifecycle, as shown below:**


50. IBBI report. 2024. '8 years of IBC'

# 6. Challenges faced by private credit managers in India

The shift in capital sources of corporates from regulated banks and relatively transparent public markets to private credit firms could raise potential vulnerabilities. For instance, the rapid growth of the private credit players could result in heightened competition and compressing yields. To reach target returns, managers might need to adopt riskier strategies, thereby raising the potential for losses. Aggressive competition and deployment pressures may lead to relaxed lending standards, creating systemic risks in some cases.

Moreover, private credit structures are becoming complex, adding multiple layers of leverage. Then, there is the question of sufficient availability of liquidity. Investors acquiring these loans often need to hold them to maturity, in order to realise the best possible returns. In the case of any emergency exits, investors could face steep haircuts.

Some of the challenges also stem from information asymmetry between borrower and lenders; perception of traditional institutional lenders against private credit borrowings; and lower corporate governance standards.

To help the private credit ecosystem reach its full potential in India, participation of global players is also essential. However, global private credit funds/investors must deal with currency depreciation. To justify their investments, they anticipate higher returns which renders them uncompetitive vis-à-vis domestic funds. However, well-covenanted private credit in India can offer protections, compensating for these challenges compared to those in global markets.

In its Financial Stability Report (2024), the RBI also highlighted the risks stemming from the rise of private credit worldwide, given its nature, structure and interconnectedness with other ecosystem players. In December 2023, the RBI had notified a set of rules aimed at regulating exposure of banks and NBFCs (regulated entities [REs]) to AIFs. The rules restricted REs from investing in AIFs that had downstream investments in borrowers where such REs also had debt exposure. Subsequently, pursuant to representations by the industry, the RBI issued a notification in March 2024, which clarified some of the terms of the previous notification. It stated that equity investments by AIFs in portfolio companies shall be outside the purview of the December 2023 notification. It also clarified the provisioning requirements previously stipulated. This was seen as a welcome move, providing greater flexibility to market participants. As the asset class continues its growth trajectory, greater regulatory oversight can be expected, along with continuous stakeholder consultation for responsive policy measures.

# 7. Recommendations for private credit managers

## 1. Multi-pronged due diligence

Enhanced due diligence is fundamental in screening out risky borrowers. Private credit managers should leverage industry expertise to obtain robust credit analysis. Apart from analysing financials, due diligence requires assessing creditworthiness, evaluating collateral, and conducting legal, tax, regulatory and market reviews.

**PwC India, for instance, carried out a recoverability analysis of a distressed asset portfolio for a global special situations investor. The portfolio included a mix of assets across sectors including companies undergoing CIRP under the IBC framework. The team included insolvency as well as market experts.**

## 2. Balancing the risk-return

Valuations are based on assumptions and can be subject to uncertainties. Potential returns of an investment should be commensurate with the risks involved. Private credit lenders can opt for diversification by sector, ticket size and deal stage, along with a customised pricing strategy.

**In such cases, a trusted advisor can assist with formulating a debt-servicing structure that is well-aligned to the borrower's risk profile.**

## 3. Close monitoring

Continuous oversight of individual investments, such as tracking interest payments and principal repayments, is essential to protect investors against default risks.

**PwC India worked as the monitoring agency for a set of global investors in a power plant via an ARC. As part of its engagement, the firm tracked the operations and cash flows, while monitoring covenants and working capital movement to help investors keep abreast of the business revival plan and cash conservation strategies being undertaken by the management. The investors were able to make a successful exit through refinancing by a domestic fund.**

## 4. Swift corrective actions

For credit managers, communicating with investors to provide timely information on portfolio performance and tackling deviations from the expected performance with swift corrective actions goes a long way in building trust.

**A case in point is that of a residential real estate project where the lead lender was the arm of a global alternative asset manager. PwC India worked as a resolution advisor, enabling the project to be successfully resolved, with a real estate player emerging as the successful bidder.**

## 5. Portfolio diversification

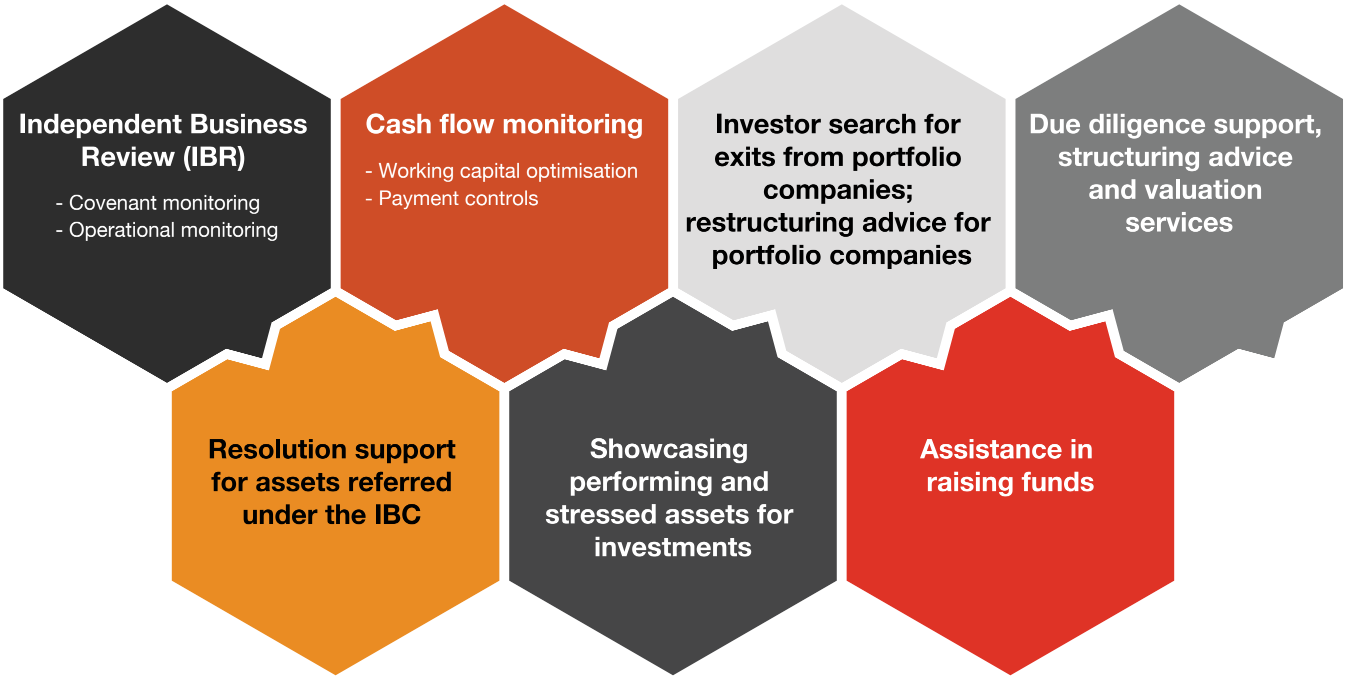
Diversifying portfolios to ensure that investments are distributed across borrowers, industries, and geographies and regularly monitoring concentration risks could help plug potential vulnerabilities. Here, an advisor can help to showcase a wide range of deals for investment consideration.

**PwC India is currently running the resolution process for a set of logistics companies across India, where diverse industries – including global infrastructure and real estate funds – have shown significant interest.**

# 8. PwC India's debt and resolution support framework

PwC India's debt and resolution practices can support end-to-end value maximisation for private credit funds. An overview of the areas in which the team can assist private debt capital providers is presented below. We offer restructuring expertise, debt syndication experience and domain knowledge of insolvency systems.

**Figure 18: PwC India's debt and resolution support framework**



# Looking ahead

As borrower needs continue to evolve and traditional banking channels provide limited offerings, the private credit market in India is poised for significant growth. Moreover, the roll-out of the IBC has rendered private credit even more attractive by providing a robust legal framework. However, certain challenges remain.

Adopting a nuanced approach can help private credit managers balance risk and returns while tapping into the opportunities offered by the dynamic Indian economy. This will help achieve higher returns along with diversification. The growth of the private credit market could unlock value for both investors and the economy as a whole, fostering innovation and job creation. Those who can navigate the challenges stand to be rewarded.

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