

# Industry report on Alternative Asset Management

For Gaja Alternative Asset Management  
Limited

November 2025

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## Executive Summary

India's economy is one of the fastest growing economies in the world and is poised to grow by 6.5% in the current fiscal year. The growth will primarily be driven by strong private consumption, which is expected to improve due to healthy agricultural production and cooling food inflation. The RBI cut the repo rate by 50 bps in fiscal 2025, followed by another 50-bps cut in June 2025 to support discretionary consumption. That done, the RBI has also changed the stance from accommodative to neutral. India is also expected to remain a high-savings economy with a gross domestic savings rate higher than the global average.

The Indian managed investments segment, particularly in alternative products represented by AIFs, has experienced significant growth over the years. From 1.5% in fiscal 2019, the share of AIFs as a % of GDP has increased significantly to 4.1% as of fiscal 2025, reflecting a promising trajectory. Despite this growth, the AIF market in India is still considered underdeveloped compared to global standards. Over the past six years, AIFs have emerged as a key constituent of India's private markets, showcasing a remarkable ~30% CAGR in commitments between March 2019 and March 2025. With total commitments reaching Rs 13.49 trillion as of March 31, 2025, it is evident that high net-worth individuals, ultra-HNIs, and institutional investors are increasingly drawn to these differentiated products for diversification and better returns. Looking ahead, the AUM for alternative investments in India is projected to grow substantially, with estimates suggesting a 31-33% increase between March 2025 and March 2030, potentially reaching Rs 53-56 trillion by 2030. This growth surpasses that of traditional asset classes like mutual funds and deposits, underscoring the attractiveness of alternative investments in the Indian market.

Furthermore, the private equity and venture capital investments landscape in India remains robust, with consistent growth in commitments, funds raised, and investments. Factors such as a conducive investment environment and the thriving startup ecosystem have positioned India as a preferred destination for private equity investments. Notably, the mid-market category within PE investments is gaining traction, with its market share on the rise and expected to grow further. PE investor exits have also seen a substantial increase, indicating a healthy market with strong liquidity. Secondary deals have maintained a steady pace, with significant deal values recorded in recent years, pointing towards a promising outlook for the Indian investment landscape in the secondaries segment. In recent years, traditional financiers like banks and NBFCs have displayed a risk-averse attitude towards lending, creating a void in the market. With regulatory constraints tightening on bank lending, private credit has emerged as a crucial alternative for corporates seeking tailored financing solutions for various purposes such as acquisitions, share repurchases, and large projects.

In India, domestic institutional investors like Banks, Insurance companies, Mutual funds, EPFO, and NPS play a significant role in providing long-term capital and fostering capital market growth. While these entities have traditionally favored fixed-income instruments, the evolving regulatory landscape and the growing prominence of AIFs are gradually attracting institutional interest towards alternative investment products. The AIF industry in India has witnessed substantial growth, with the share of alternative products in managed investment products rising three-fold, from 2.2% in March 2018 to approximately 6.6% in March 2024. This growth underscores the increasing significance of AIFs in the Indian economy and their potential to play a more substantial role in the country's economic development.

# 1. Macroeconomic scenario in India

## 1.1 India is one of the world's fastest-growing economies

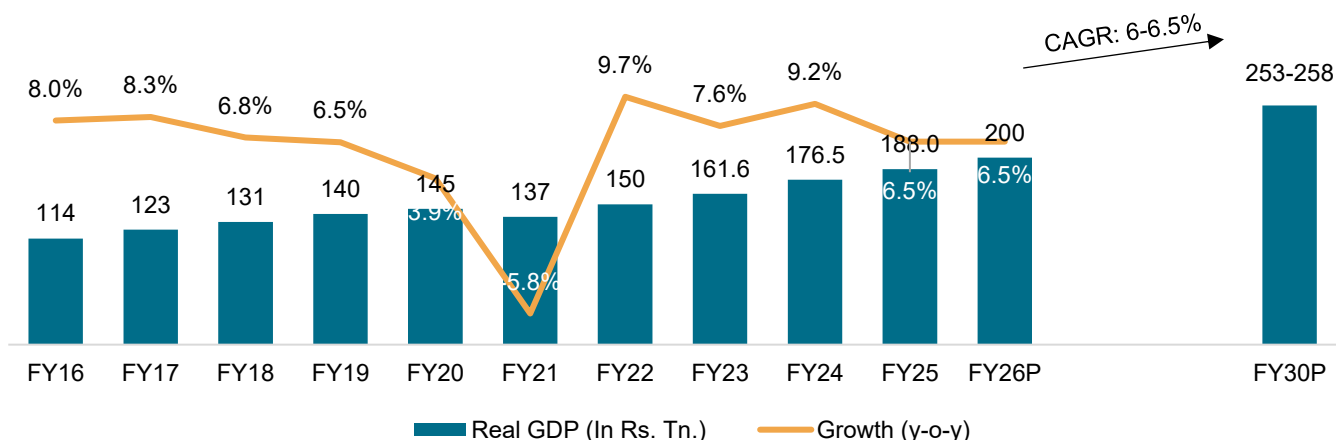
India is one of the fastest-growing economies in the world despite challenges posed by global geopolitical instability. In March 2025, the National Statistical Office (NSO), in its second advance estimate of national income, projected the country's real gross domestic product (GDP) to expand 6.5% on-year this fiscal.

Going forward, the expectation of slower global growth, along with anticipated reciprocal tariffs on India in near future, is likely to exert downside risks to Crisil's 6.5% growth forecast for fiscal 2026. Uncertainty about the duration and frequent changes in tariffs could also hinder domestic investments. However, factors like interest rate cuts, income tax relief, introduction of lower GST rates and easing inflation are expected to boost domestic consumption in fiscal 2026, while the expected normal monsoon and anticipated decline in global crude oil prices could support domestic growth.

Private consumption is expected to improve, driven by healthy agricultural production, lower food inflation, and tax benefits from the Union Budget 2025-2026. Easing monetary policy, liquidity-easing measures and easier regulations for non-banking financial companies are expected to transmit the benefits from an easier monetary policy to the broader economy. However, geopolitical uncertainties, particularly US tariffs, may impact exports and will continue to be the key monitorable.

Easing monetary policy by the Reserve Bank of India (RBI) is expected to support discretionary consumption. Geopolitics will continue to be the key monitorable, given the wide-ranging changes in the global economies.

**Indian economy expected to maintain steady growth at 6.5% in fiscal 2026**



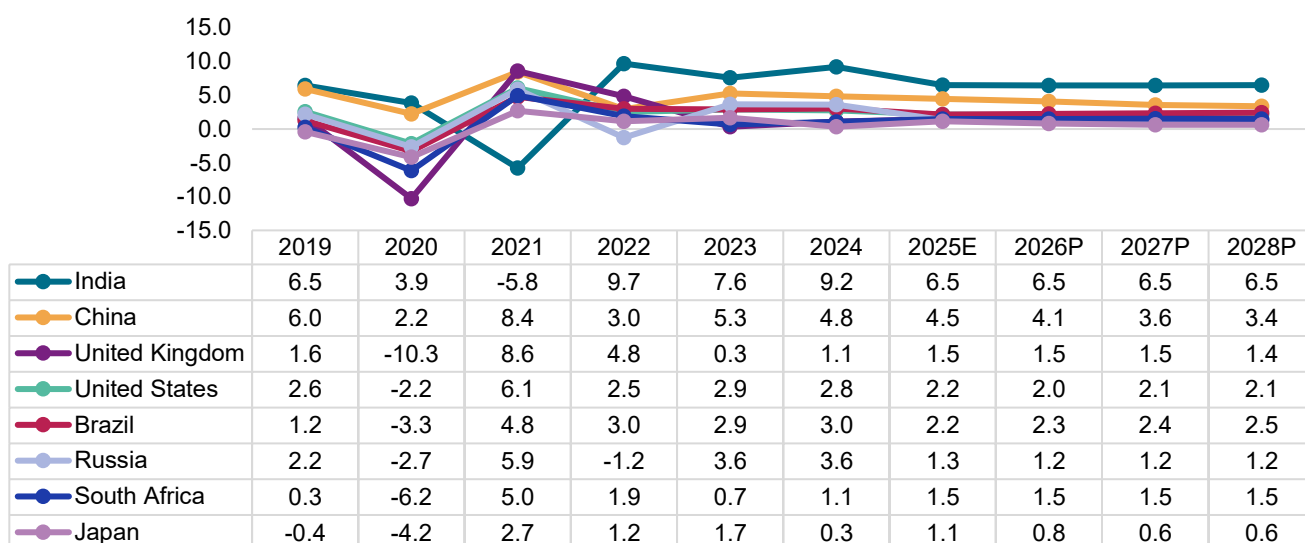
*Note: E – estimated, P – projected. GDP growth until fiscal 2024 is actual. GDP estimate for fiscal 2025 is based on the NSO's second advance estimates. GDP projection for fiscal 2026 is based on Crisil Intelligence estimates and that for fiscals 2026-2030 is based on International Monetary Fund (IMF) estimates*

*Source: NSO, Crisil Intelligence, IMF (World Economic Outlook – April 2025)*

### Indian economy to grow at a faster rate

Along with being one of the fastest growing economies in the world, India overtook the Japan to become the fourth -largest economy in the world in CY 2025. In terms of purchasing power parity ("PPP"), India is the third-largest economy in the world, after China and the United States. IMF forecast indicates that India's GDP growth rate for 2026 and 2027 would be higher than that of many other large economies including United States, China, Japan and United Kingdom.

**India to log higher than 6% real GDP growth till 2028**



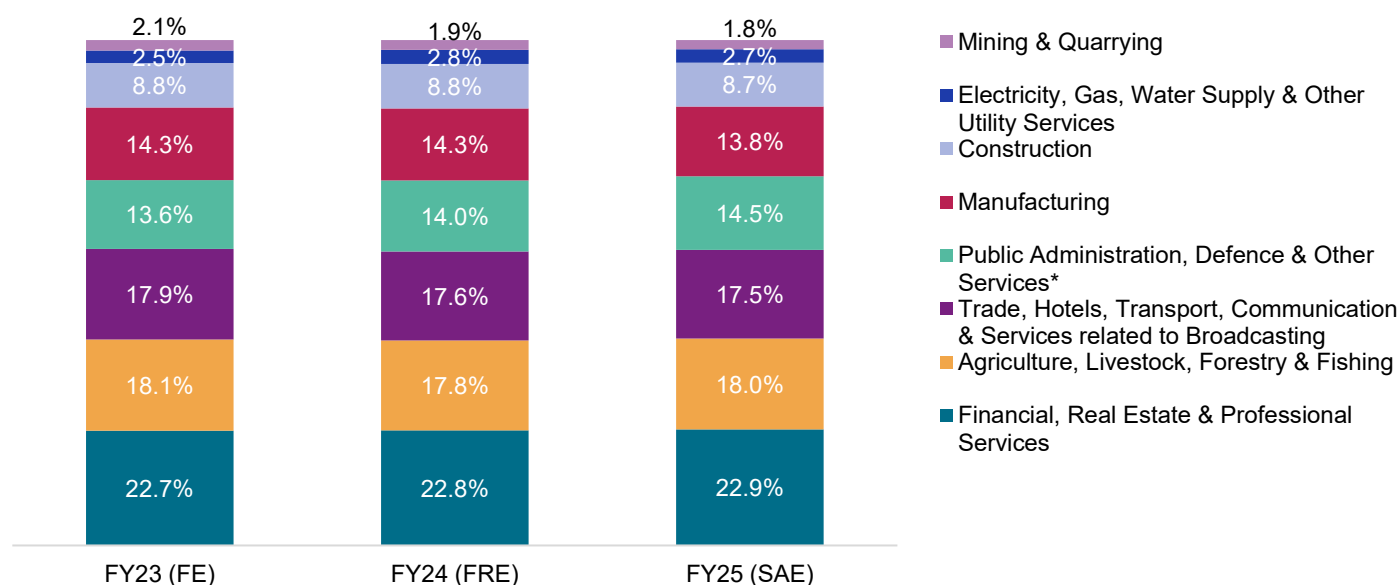
Note: All forecasts refer to IMF forecasts. GDP growth is based on constant prices. Data represented is for calendar years. Growth numbers for India until 2026 are for financial year, 2025 is as per the NSO's second advance estimates for fiscal 2025. Post fiscal 2025, all estimates for India are as per the IMF and for calendar years. Data represented for other countries is for calendar years

Source: IMF (World Economic Outlook – April 2025), Crisil Intelligence

## Various sectors have contributed to India's growth

The trend in gross value added (GVA) at current prices by economic activity indicates that financial, real estate and professional services have consistently contributed the highest to GVA. Total GVA at current prices clocked a compound annual growth rate (CAGR) of 10% between fiscals 2023 and fiscal 2025.

### GVA by economic activity



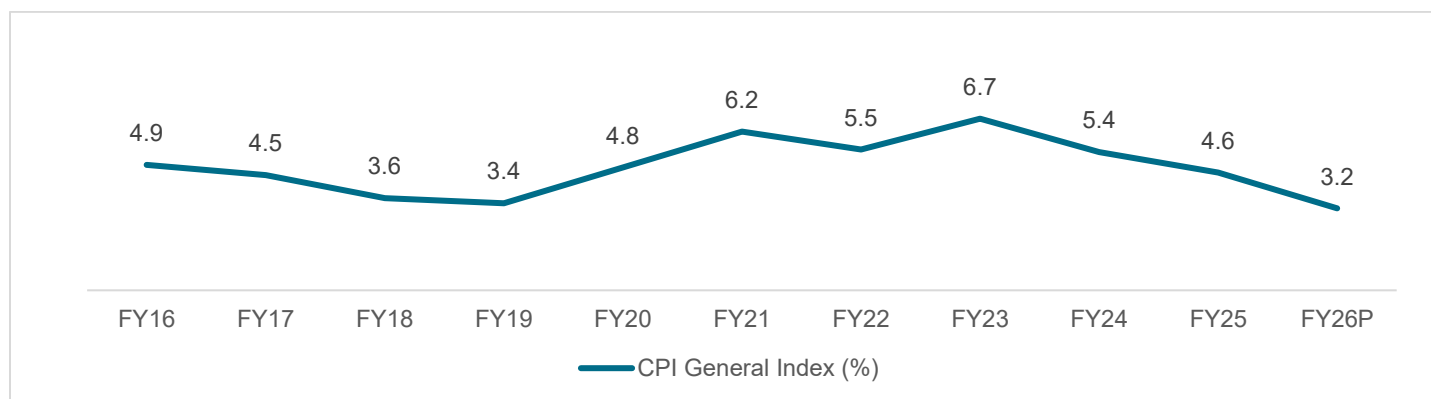
Note: \*The public administration, defence and other services category includes other services sectors, i.e., education, health, recreation, and other personal services. Fiscal 2023 numbers are first estimates; fiscal 2024 numbers are first revised estimates and fiscal 2025 numbers are as per second advance estimates as per the NSO

Source: Ministry of Statistics and Programme Implementation (MoSPI), Crisil Intelligence

## CPI inflation to average 3.2% in FY26, lower than FY25 estimates

Consumer Price Index (CPI)-based inflation eased to 1.5% on-year in September from 2.1% in August, slipping below the RBI's lower tolerance limit for the second time this fiscal. The decline was driven by food inflation, printing -2.3% in September. While monsoon overall looks similar to last year (above-normal at 8% above long period average), there was greater incidence of excess rains in major kharif crop-producing states this year. This could affect incoming Kharif arrivals from October, though food prices remain in check so far. Nevertheless, adequate reservoir and groundwater levels bode well for rabi output. Crisil Intelligence expects CPI inflation to be at 3.2% in fiscal 2026 compared with 4.6% in fiscal 2025.

## Inflation to moderate to 3.2% in fiscal 2026

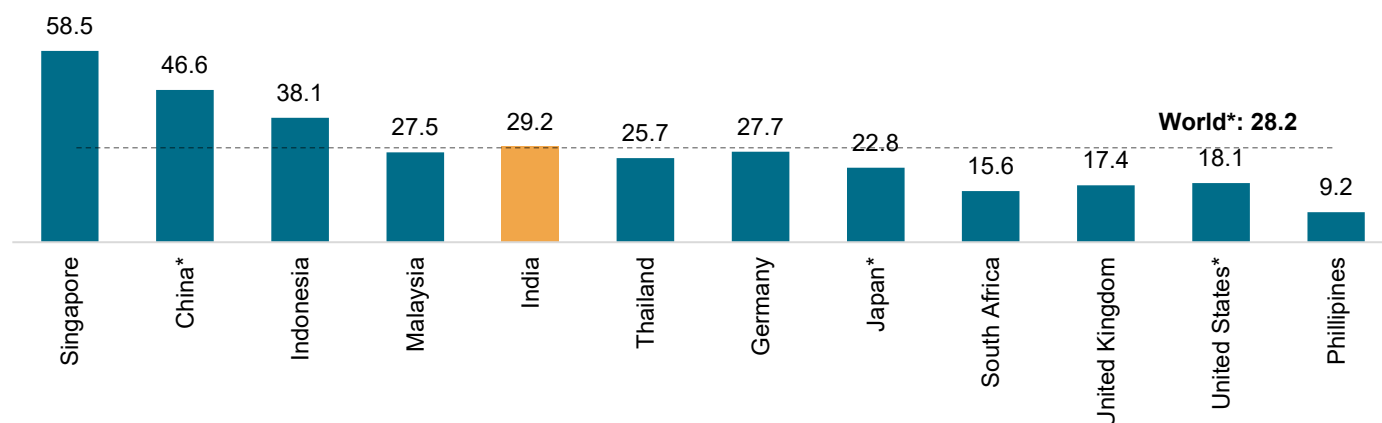


Note: P- Projected, Source: Crisil Intelligence

## Household savings are expected to increase in medium term

India's gross domestic savings as a percentage of GDP rose to 29.2% in 2023 from 28.4% in 2022, highlighting the economy's recovery and improved income levels. Compared with most of the emerging market peers, India had a favourable gross domestic savings rate, which was greater than the global average (28.2% in 2022).

## India's gross domestic savings rate is higher than the global average (2023)

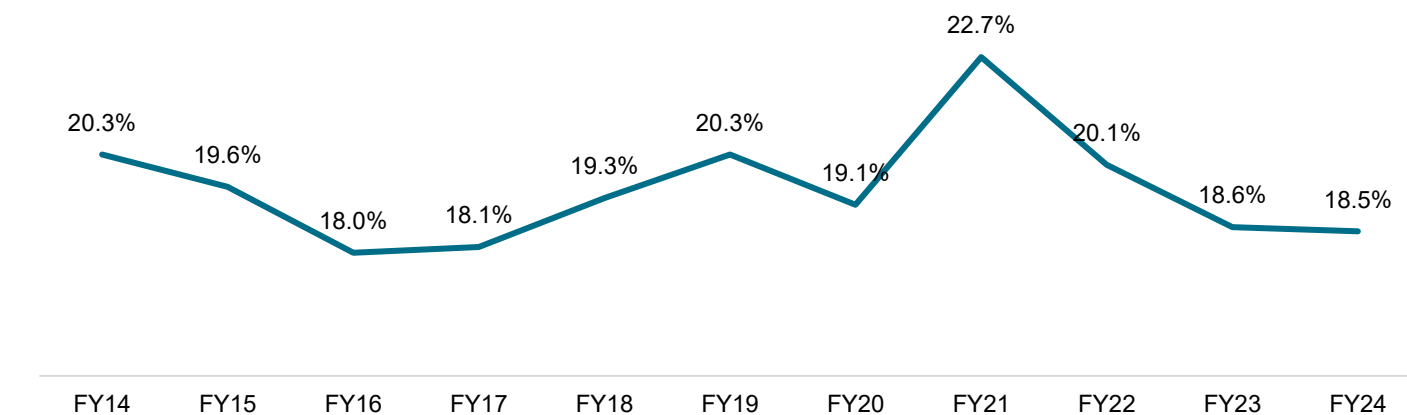


Note: The savings rate is in %. \* Data as of 2022  
Source: World Bank, Crisil Intelligence

During the pandemic, household savings as a percentage of GDP increased from 19.1% in fiscal 2020 to 22.7% in fiscal 2021. However, household savings moderated to 18.6% in fiscal 2023 and 18.5% in fiscal 2024, due to households borrowing at a faster pace than they were saving since the pandemic. This was driven by a significant retail credit push by lenders, increased willingness among individuals (particularly the younger demographic) to borrow, and enhanced access

to lenders facilitated by technological advancement. Crisil Intelligence expects India to remain a high-savings economy owing to a higher gross domestic savings rate than the global average.

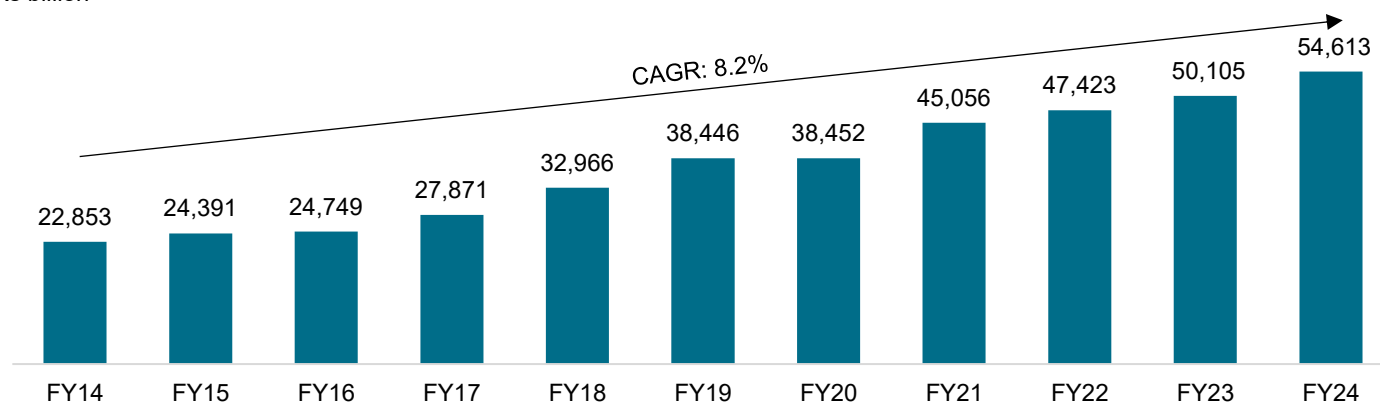
## Household savings as a percentage of GDP moderated in fiscals 2023 and 2024



Note: GDP at current prices, Source: MoSPI, NSO, Crisil Intelligence

## Household savings growth

Rs billion



Source: MoSPI, Crisil Intelligence

## Gross domestic savings trend

Parameters (Rs billion)	Mar-2014	Mar-2015	Mar-2016	Mar-2017	Mar-2018	Mar-2019	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024
Gross Domestic Savings (GDS)	36,082	40,200	42,823	48,251	54,807	60,004	59,411	57,869	73,631	82,440	92,592
Household sector savings (net financial savings, and savings in physical assets and in the form of gold and silver ornaments)	22,853	24,391	24,749	27,871	32,966	38,446	38,452	45,056	47,423	50,105	54,613
Household sector savings as a proportion of GDS (%)	63%	61%	58%	58%	60%	64%	65%	78%	64%	61%	59%
Gross financial savings	11,908	12,572	14,962	16,147	20,564	22,637	23,246	30,670	26,120	29,276	34,306
Net financial savings (% of household sector savings)	36%	36%	45%	41%	40%	39%	40%	52%	36%	27%	28%

Parameters (Rs billion)	Mar-2014	Mar-2015	Mar-2016	Mar-2017	Mar-2018	Mar-2019	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024
Savings in physical assets (% of household sector savings)	62%	62%	53%	57%	59%	60%	59%	47%	63%	72%	70%
Savings in the form of gold and silver ornaments (% of household sector savings)	2%	2%	2%	2%	1%	1%	1%	1%	1%	1%	1%

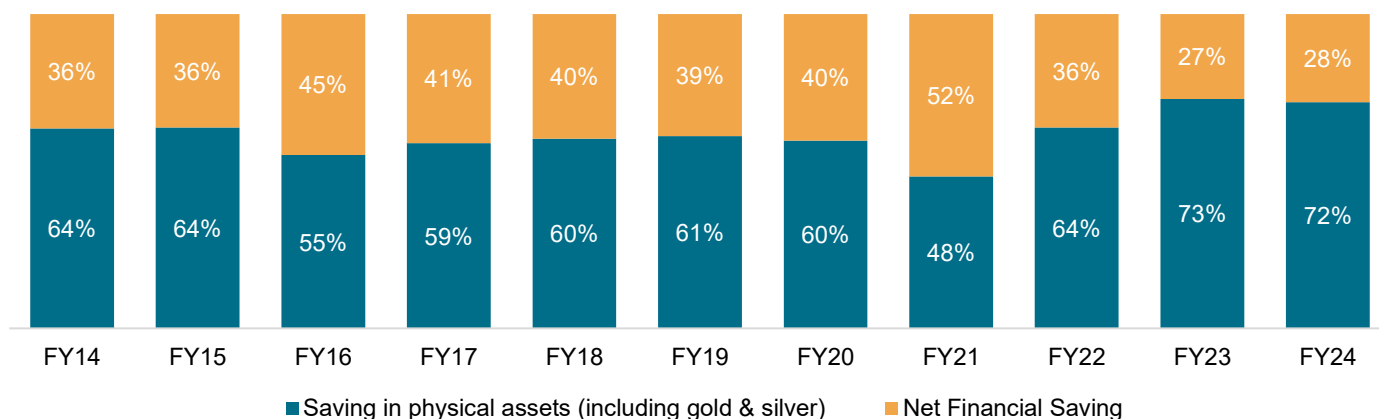
*Note: Data is for financial year ended March 31. Net financial savings are financial savings after excluding financial liabilities. Physical assets are those held in physical form, excluding gold and silver ornaments*

*Source: MoSPI, National Accounts Statistics, Crisil Intelligence*

Unlike most other countries, where financial savings dominate, physical assets constitute the majority of household savings in India. In fiscal 2014, household savings in physical assets stood at 64%. The share decreased to 48% in fiscal 2021 due to pandemic-induced nationwide lockdowns and slowdown in construction of houses. With the lifting of lockdowns post-pandemic, it surged to 64% in fiscal 2022 and 72% in fiscal 2024 owing to an increase in construction of houses.

Crisil Intelligence expects the share of financial assets in net household savings to increase over the next five years, as elevated inflation after the pandemic could have further encouraged investors to move to higher-yielding instruments in real terms. Interestingly, households are also opting to hold more cash after enduring the pandemic shock. Mutual fund investments by households have grown faster than in the recent past. Investments through systematic investment plans (SIPs), mostly opted by individuals, continued to rise in fiscal 2024. Among financial instruments, households are moving away from savings in deposits towards equities, mutual funds and small savings.

### Trend of household savings in India



*Source: RBI, MoSPI, Crisil Intelligence*

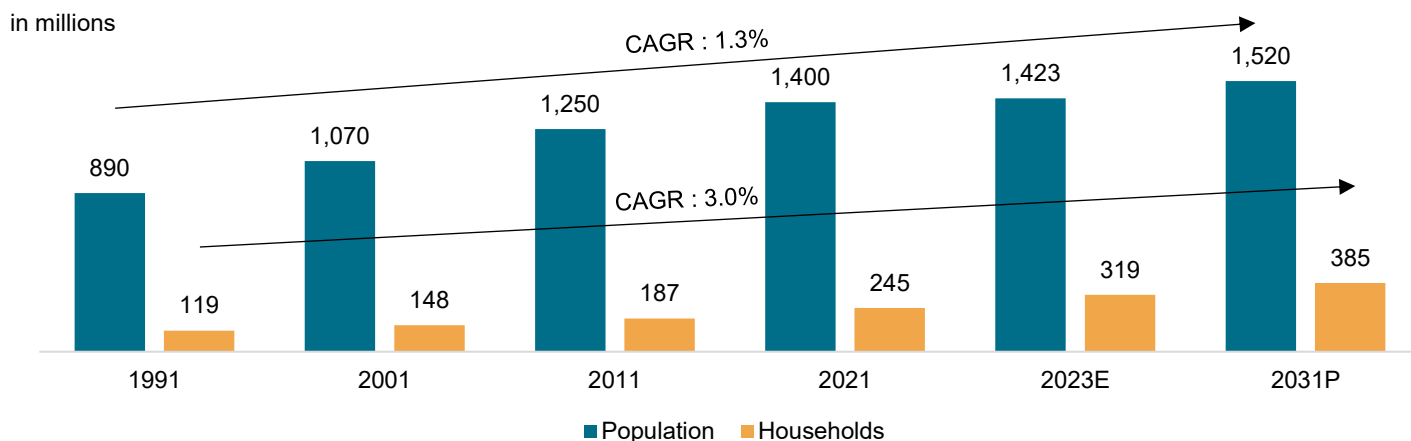
## 1.2 India's long-term structural growth drivers remain intact

### India has the largest population in the world

As per Census 2011, India's population was ~1.3 billion and comprised nearly 187 million households. Crisil Intelligence expects the population, which grew at nearly 1.5% CAGR between 2001 and 2011, to have increased at 1.1% CAGR between 2011 and 2021 to reach 1.4 billion. The population is expected to reach 1.5 billion by 2031, clocking 1.0% CAGR between 2011 and 2031, and the number of households are expected to touch ~385 million over the period, increasing at 3.7% CAGR.



## India's population growth trajectory and number of households

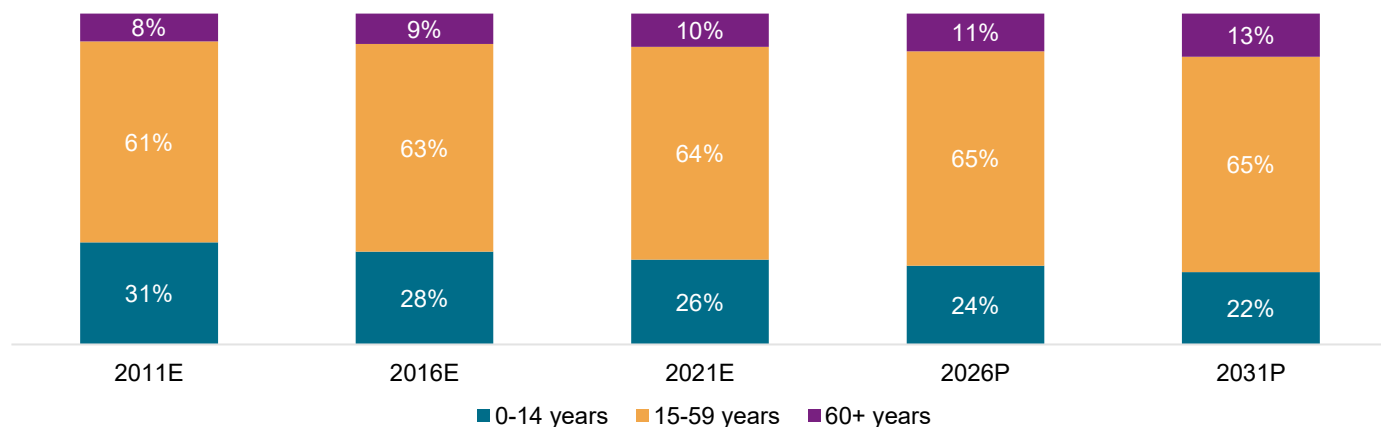


Note: As at the end of each fiscal. P: Projected, Source: United Nations Department of Economic and Social Affairs, (<https://population.un.org/wpp/>), Census India, Crisil Intelligence

## Favourable demographics

India has one of the world's largest youth populations, with a median age of 28 years. About 90% of Indians are below 60 years of age. It is estimated that in 2022, India had the highest share of young working population (15-30 years) compared with major developed and developing countries with 27% share. Crisil Intelligence expects the large share of working population, coupled with rapid urbanisation and rising affluence, to propel growth in the economy.

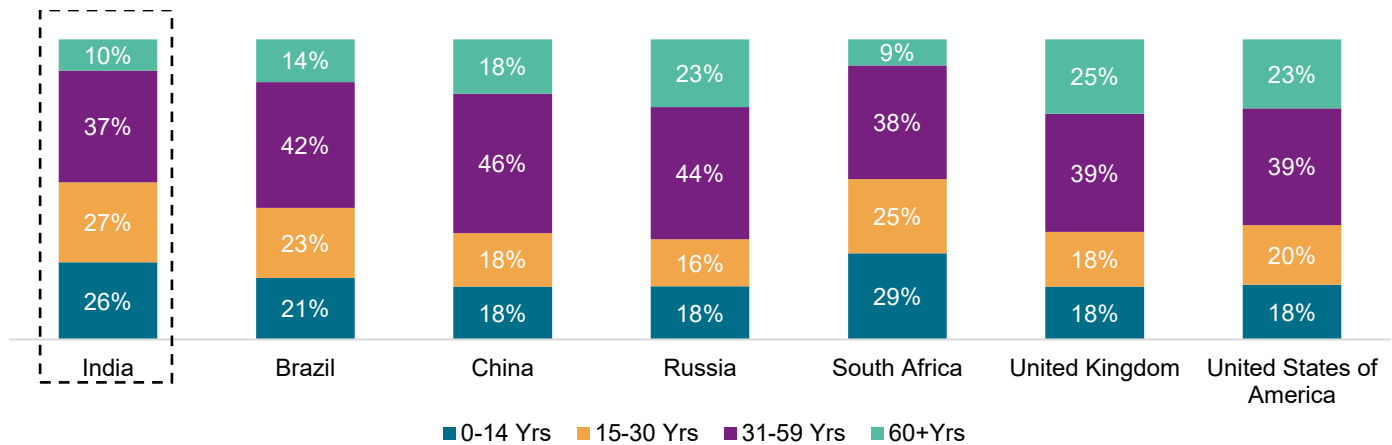
## India's demographic division (share of different age groups in the population)



Note: P – Projected, E – Estimates

Source: Census of India 2011, Ministry of Health and Family Welfare, Crisil Intelligence

## India has the highest share of young population (15-30 years) among the major economies



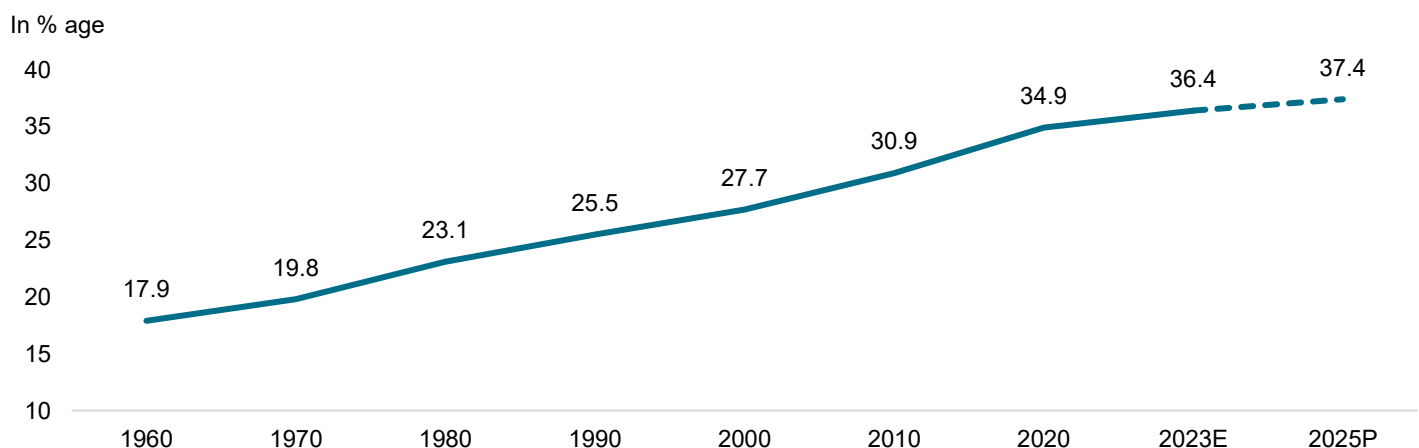
Source: Census 2011, World Urbanization Prospects: The 2018 Revision (UN)

## Rising urbanisation

Urbanisation is one of India's most important economic growth drivers. It is expected to spur substantial investments in infrastructure development, which, in turn, will likely create jobs, develop modern consumer services and increase the ability to mobilise savings. India's urban population has been rising consistently over the decades. As per the 2018 revision of World Urbanisation Prospects, the urban population was estimated at 36% of India's total population in 2022. According to World Urbanisation Prospects, the percentage of the population residing in urban areas in India is expected to increase to 40.1% by 2030.

- Urban areas often provide better access to essential services such as healthcare, education and social amenities, leading to an enhanced standard of living that attracts the rural population
- The growth of industries and the services sector in urban areas contributes to higher income levels and job creation. Also, with cities acting as hubs for international trade and foreign investment, urban areas are seeing rapid expansion

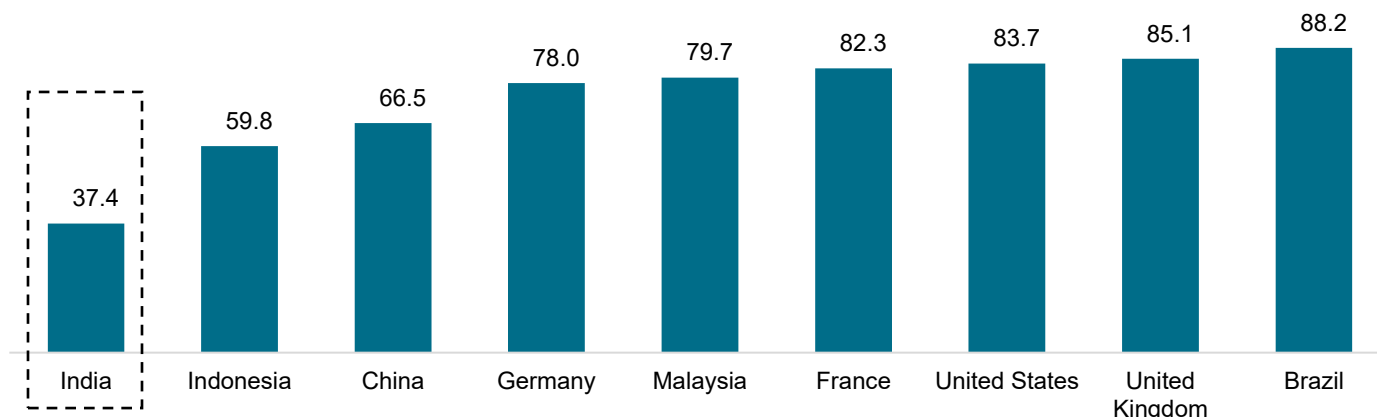
## Urban population as a percentage of total population



Note: E- Estimated, P – Projected, Source: Census 2011, World Urbanization Prospects: The 2018 Revision (UN)

## Urban population as a percentage of total population in % (2025P)

In %



Note: E: Estimated; Source: United Nations World Urbanization Prospects: The 2018 Revision (UN)

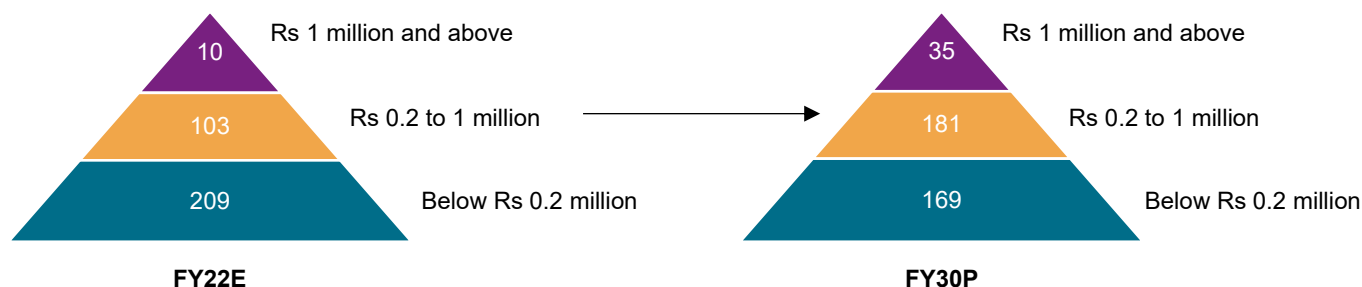
### Key structural reforms: Long-term positives for the Indian economy

- The Union Budget of 2024-25 announced a 17.1% rise in capital expenditure at Rs 11.1 trillion, from Rs 9.5 trillion in fiscal 2024. Infrastructure sectors continued to get the highest allocation (24.5% of total budgetary capex). Investment is expected to be driven by higher capacity utilisation, lean corporate balance sheets and healthy government capital expenditure.
- Micro, small and medium enterprises (MSMEs) have received special focus, with initiatives such as the new credit guarantee scheme, offering coverage of up to Rs 100 crore per applicant, and increase in the limit for the Tarun category under Mudra loans from Rs 10 lakh to Rs 20 lakh. The government launched the Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGMSE) to make available collateral-free credit to the MSE sector. Both existing and new enterprises are eligible for coverage under the scheme. The Ministry of Micro, Small and Medium Enterprises and Small Industries Development Bank of India established a trust named the Credit Guarantee Fund Trust for Micro and Small Enterprises to implement the CGMSE. Moreover, public banks have taken steps to develop an in-house technology-based underwriting model to assess MSMEs, which will improve credit facilities for these enterprises
- Budgetary support towards rural areas will support rural employment, income and consumption. The government has allocated higher funds to the PM Awas Yojana – Rural (up 70.3% on-year) and PM Gram Sadak Yojana (up 11.8% on-year). Aggregate allocation on major rural schemes like Pradhan Mantri Kisan Samman Nidhi, Mahatma Gandhi National Rural Employment Guarantee Act, PM Gram Sadak Yojana, PM Awas Yojana – Rural has increased to Rs 2.2 lakh crore, a 12.6% on-year rise.

### 1.3 Rising Middle India to support India's growth story

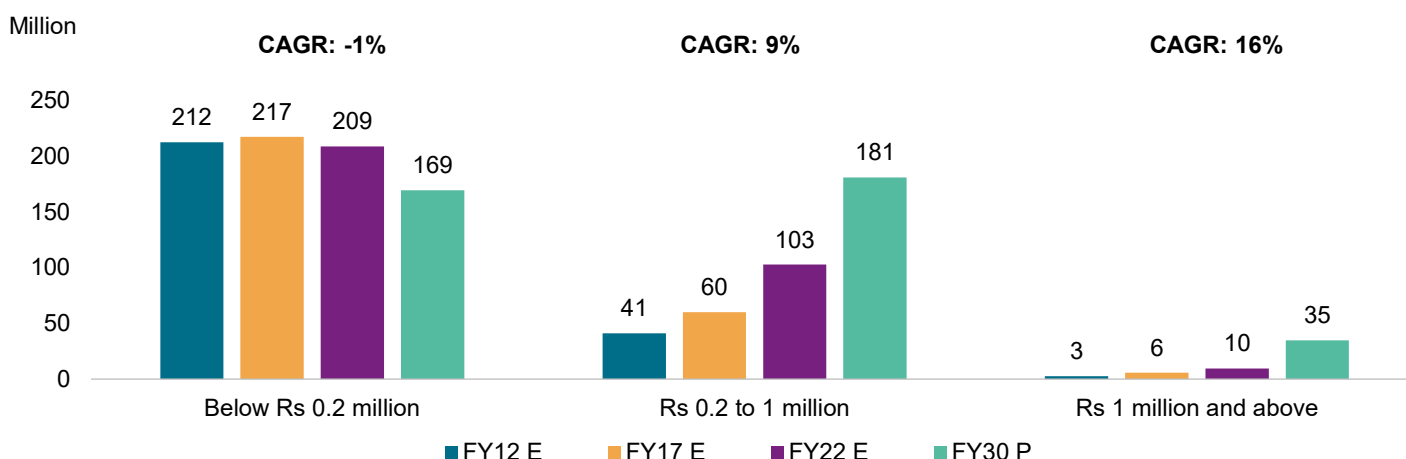
Middle income households (defined as households with annual income of Rs 0.2-1.0 million) have been expanding over the past decade and are expected to continue to do so with rising GDP and household income. Crisil Intelligence estimates there were 41 million middle income households in India in fiscal 2012 and expects the number to increase to 181 million by fiscal 2030. A large number of households that have entered the middle-income bracket in the past few years are likely to be from semi-urban and rural areas. MSMEs, the backbone of the economy, account for approximately 30% of the GDP and 45% of manufacturing output and employ a substantial 11 crore people. The growth of MSMEs is crucial in generating employment opportunities. Crisil Intelligence believes that improvement in literacy levels, better access to information and awareness, increase in the availability of necessities and the improvement in road infrastructure have increased the aspirations of Middle India, which is likely to translate into increased demand for financial products and financial services providers.

## Middle income households to increase over fiscals 2022-2030 (in millions)



Source: Crisil Intelligence

## Middle income households expected to reach ~181 million by FY30



Note: E: Estimated, P: Projected; CAGR period from FY12E to FY30P, Source: Crisil Intelligence

## Key drivers for growth in Middle India economy

In recent years, Middle India has emerged as a key driver of the country's consumption growth story, propelled by factors such as increasing disposable income, urbanisation and the rise of e-commerce. This demographic group has expanded rapidly over the past decade. Its contribution to the economy is evident in its role in boosting consumption, driving investments and fostering entrepreneurship. With the number of middle income households growing, the demand for high-quality consumer goods, healthcare, education, and housing is expected to rise, fuelling further economic growth. Additionally, the segment's active participation in investments across asset classes, including stocks, real estate and mutual funds, has helped channel savings into productive investments. Its substantial contributions to tax revenue, meanwhile, have played a vital role in funding public welfare schemes and infrastructure projects.

The government has introduced several reforms and initiatives to support and empower the middle class, aiming to enhance its quality of life, financial security and overall well-being. Some key initiatives include:

- **Tax benefits:**

In the Union Budget for fiscal 2025, the government unveiled various initiatives to reduce the tax burden on the expanding middle class. These measures include revising the tax slabs, raising the standard deduction for salaried employees from Rs 50,000 to Rs 75,000 and increasing deductions on family pension from Rs 15,000 to Rs 25,000.

- **Entrepreneurship and business support:**

The Pradhan Mantri MUDRA Yojana was rolled out in April 2015 to provide accessible and collateral-free microcredit to non-corporate, non-agricultural small and medium enterprises (SMEs). The government recently doubled the limit for

the scheme from Rs 10 lakh to Rs 20 lakh for entrepreneurs who have effectively utilised and reimbursed loans under the 'Tarun' category. This programme has played a crucial role in empowering small businesses and promoting entrepreneurship.

- **Housing for all**

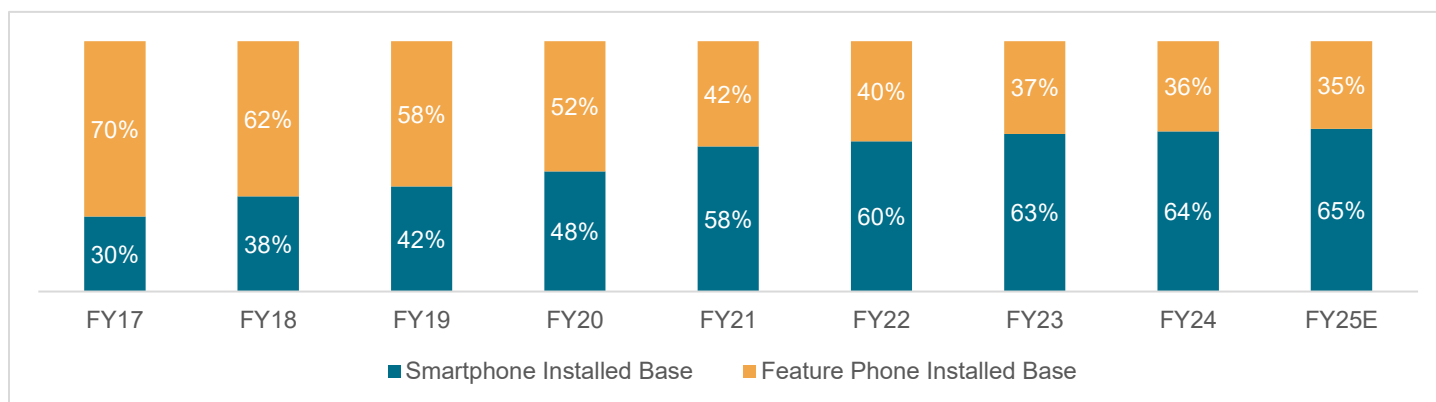
The Pradhan Mantri Awas Yojana – Gramin (PMAY-G) was launched in November 2016 with the aim of providing around three crore pucca houses with basic amenities to all eligible houseless households living in kutchha and dilapidated houses in rural areas by 2024. Landless beneficiaries are accorded the highest priority in the allotment of houses. A total of 2.94 crore houses have been sanctioned and 2.59 crore completed by April 4, 2024.

The Pradhan Mantri Awas Yojana – Urban (PMAY-U) is a flagship programme of the government to ensure that all eligible urban beneficiaries have access to durable, all-weather pucca houses. The Cabinet approved PMAY-U 2.0 in August 2024 to provide financial assistance to one crore urban poor and middle-class families.

## 1.4 Digitalisation aided by technology to play pivotal role in economic growth

Technology is expected to play an important role by progressively reducing the cost of reaching out to smaller markets. India has seen a tremendous rise in fintech adoption in the past few years. Among many initiatives by the government, the Unified Payments Interface (UPI) is playing a pivotal role towards financial inclusion. It provides a single-click digital interface across systems for smartphones linked to bank accounts and facilitates easy transactions using a simple authentication method. The volume of digital transactions has also seen a surge in the past few years, driven by increased adoption of UPI. Apart from the financial services industry, digitalisation in other industries such as retail will also play an important role in growth.

### Younger users to drive smartphone adoption



Note: E: Estimated; Source: Crisil Intelligence

### Rise in 4G and 5G penetration and smartphone usage

India had 1,151 million wireless subscribers at end-fiscal 2025. The reach of mobile networks, internet and electricity is continuously expanding the subscriber footprint to remote areas, leading to rising smartphone and internet penetration in India. 5G was launched in fiscal 2023, which led to conversion of 25 million subscribers to the technology. This shift was facilitated by offering 5G services at the price of 4G data plans, coupled with a surge in data demand and the accessibility of affordable handsets. Crisil Intelligence expects 5G subscribers to reach 314 million in fiscal 2026 since data consumption will increase due to high usage on OTT (over-the-top) platforms, education services, banking services, healthcare and the gaming industry.

## All-India mobile and data subscriber base

	FY20	FY21	FY22	FY23	FY24	FY25	FY26P
Wireless subscribers (million)	1,157	1,181	1,142	1,144	1,165	1,151	1162
Data subscribers (million)	717	803	811	869	932	944	988
Data subscribers as a proportion of wireless subscribers	62%	68%	71%	77%	82%	82%	85%
4G data subscribers (million)	635	729	739	795	710	665	630
4G data subscribers' proportion	89%	91%	91%	91%	76%	70%	64%
5G data subscribers (million)	-	-	-	25	175	235	314

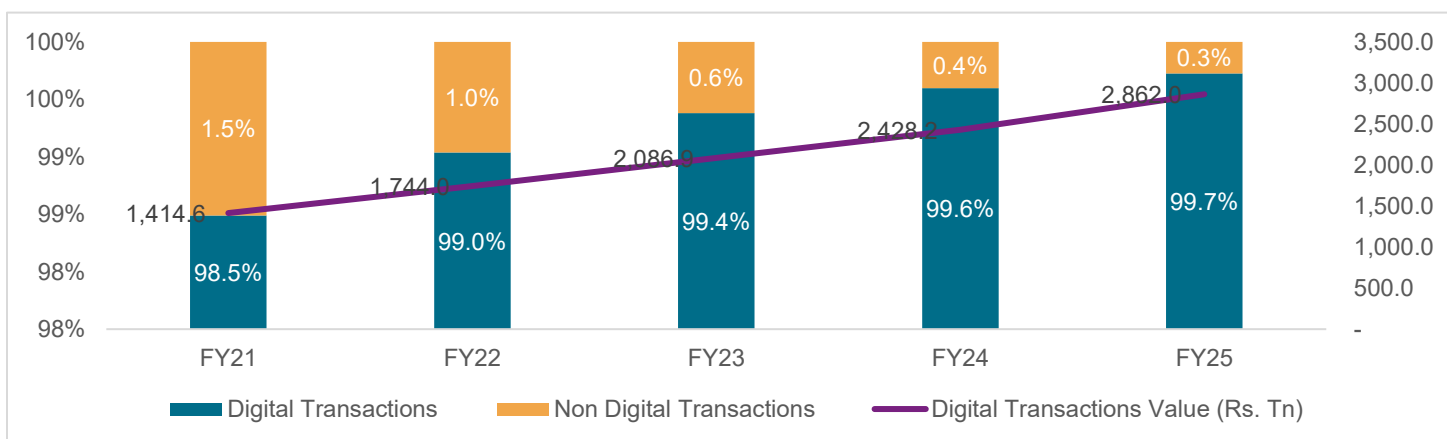
Note: P: Projected, Source: TRAI, Crisil Intelligence

## Digital payments have witnessed substantial growth

Higher mobile penetration, improved connectivity and faster and cheaper data supported by Aadhaar, and bank account penetration have led to India's shift from being a cash-dominated economy to a digital one. Total digital payments in India have grown significantly over the past few years. Between FY21 and FY25, the volume of digital payments transactions has increased from 43.7 billion to 222.0 billion, growing at a CAGR of ~50%. During the same period, the value of digital transactions has increased from Rs. 1,414.6 trillion in FY21 to Rs 2,862.0 trillion in FY25. Consumers are increasingly finding transacting through mobile convenient.

Crisil Intelligence expects the share of mobile banking to increase dramatically over the coming years. In addition, we expect improved data connectivity, low digital payment penetration and proactive government measures to drive digitalisation in the country.

## Trend in value and volume of digital payments



Note: Digital payments include RTGS payments, credit transfers (AePS, APBS, ECS Cr, IMPS, NACH, NEFT, UPI), debit transfers (BHIM, ECS Dr, NACH Dr, NETC), card payments (debit and credit cards) and prepaid payment instruments; Source: RBI, Crisil Intelligence

## Digital public infrastructure reforms continue to aid the economic growth

- Digitisation improves the transparency and efficiency of government processes, and widespread digital transformations help governments and institutions in policy implementation and broad policy outreach. The key idea for digital public infrastructure (DPI) is not completely digitising narrow public services but establishing a building block of digital modularity, which can be used by both government and private players to create the specific digital infrastructure required. The India Stack is a collective name for a set of open application programming interfaces (APIs) and public goods in digital form, such as DigiLocker, UPI and e-Sign.

- **Open Credit Enablement Network (OCEN)**

OCEN was introduced as a step to promote financial inclusion and democratisation of credit. OCEN is a set of open standards which facilitate interactions and collaborations among borrowers, lenders, lending service providers, and technology service providers. This will help digital platforms leverage their position in credit delivery and value addition in the lending value chain. OCEN will also promote innovation in distribution of credit, making loans accessible to MSMEs, small vendors and individuals, leading to financial inclusion.

- **Use of generative artificial intelligence (AI) and new technologies**

Generative AI, or GenAI, leverages extensive training on large datasets to swiftly produce diverse content forms like text and multimedia in response to prompts. In banking, financial services and insurance (BFSI), GenAI enables efficient, conversational banking, delivering prompt responses, enhancing customer experience and saving time. GenAI can swiftly detect potentially fraudulent activity by analysing customer behaviour patterns, which can help BFSI companies take proactive measures to bolster transaction security. It also helps in risk analysis and synthetic data generation, offering detailed insights from intricate financial datasets which can be employed for decision making. The different uses of GenAI at present show only a fraction of its potential to transform the BFSI sector.

- **Account aggregators**

The RBI launched the account aggregator system on September 2, 2021, which has the potential to transform the MSME finance space once it is widely adopted by the lending community. These account aggregators would provide granular insights to lenders into customers' financial assets and their borrowing history, with customer consent. Inclusion of additional data, such as electricity bill payments and mobile recharges/bill payments, under the purview of account aggregators would enhance their utility.

## **Key levers supporting digital penetration**

Lenders have been increasingly leveraging technological solutions and alternative data to source and underwrite customers digitally, majorly driven by:

### **Digital/technological changes:**

- **E-commerce platforms (B2C and B2B):** Connecting buyers and sellers
- **Introduction of digital-lending-focused non-banking financial companies (NBFCs):** Use of technology to provide credit digitally
- **Low-cost internet data availability:** Facilitating increase in internet penetration

### **Government-led initiatives:**

- **Introduction of UPI:** Simplified real-time digital payments
- **GST implementation:** Simplified business taxes, improved formalisation of businesses
- **Aadhaar-based e-KYC (know your customer) process:** Reduced document requirements, faster turnaround time, Aadhaar-PAN linkage facilitating lenders to verify information
- **ONDC (Open Network for Digital Commerce):** Facilitated adoption of e-commerce through open protocol

### **RBI-led initiatives:**

- **TReDS (Trade Receivables Discounting System):** TReDS is an electronic platform that facilitates financing/discounting of trade receivables of MSMEs through multiple financiers
- **Account aggregators:** Act as a common platform that enable sharing and consumption of data from various entities with user consent

These technological changes have led to innovative, simple and cost-effective processes.

**Customer acquisition/sourcing:** Lenders are generating leads and acquiring customers by using big data analytics, social media campaigns, partnering with stakeholders such as e-commerce platforms, and providing multilingual chatbots and mobile apps. These efforts make the application process convenient and quick and increases the success rate of customer onboarding.

**Underwriting:** Lenders are leveraging alternative data points (direct and derived variables) to assess creditworthiness of borrowers. Using advanced algorithms to identify risk profiles and repayment ability of borrowers is helping them sanction loans to underserved and new-to-credit customers within minutes.

**Collection:** Flexible repayments through initiatives such as e-NACH (Electronic National Automated Clearing House), UPI and other digital payment options have made the collection process easier and improved collection efficiency

With all these changes in the lending process, digital lending penetration has been increasing in the past few years.

## 1.5 Increase in number of wealthy individuals to drive investments across asset classes

India's robust economic and entrepreneurial ecosystem is poised to drive a significant increase in the number of high networth individuals (HNIs) and ultra-high networth individuals (UHNIs). These affluent individuals have substantially transformed India's financial wealth accumulation landscape by diversifying their investments from traditional financial instruments to higher-yielding assets, such as mutual funds and equities.

Despite this shift, a substantial portion of household savings still consists of bank and non-bank deposits, which grew to Rs 12.5 trillion in fiscal 2025 from Rs 8.4 trillion in fiscal 2022. Mutual funds have emerged as the fastest-growing segment of financial savings, rising from Rs 1.6 trillion in fiscal 2022 to Rs 4.7 trillion in fiscal 2025 at a remarkable CAGR of 42.6%.

### Evolution in mix of financial savings in India (Annual inflows of household savings into financial assets)

Value in Rs trillion	FY22	FY23	FY24	FY25	CAGR (FY22-25)
Deposit (bank and non-bank)	8.4	11.1	13.8	12.5	14.53%
Life insurance funds	4.9	5.5	6.5	5.3	3.18%
Provident and pension funds (including PPF)	5.5	6.2	7.2	7.9	12.81%
Currency	2.7	2.4	1.2	2.1	-8.05%
Mutual funds	1.6	1.8	2.4	4.7	42.62%
Equities	0.5	0.2	0.3	0.7	14.81%
Small savings (excluding PPF)	2.4	2.0	3.1	2.3	-1.16%
Total household financial assets	26.1	29.3	34.7	35.6	10.87%

Source: RBI, Crisil Intelligence

### Growth in India's asset management sector driven by increasing participation from all segments of investors

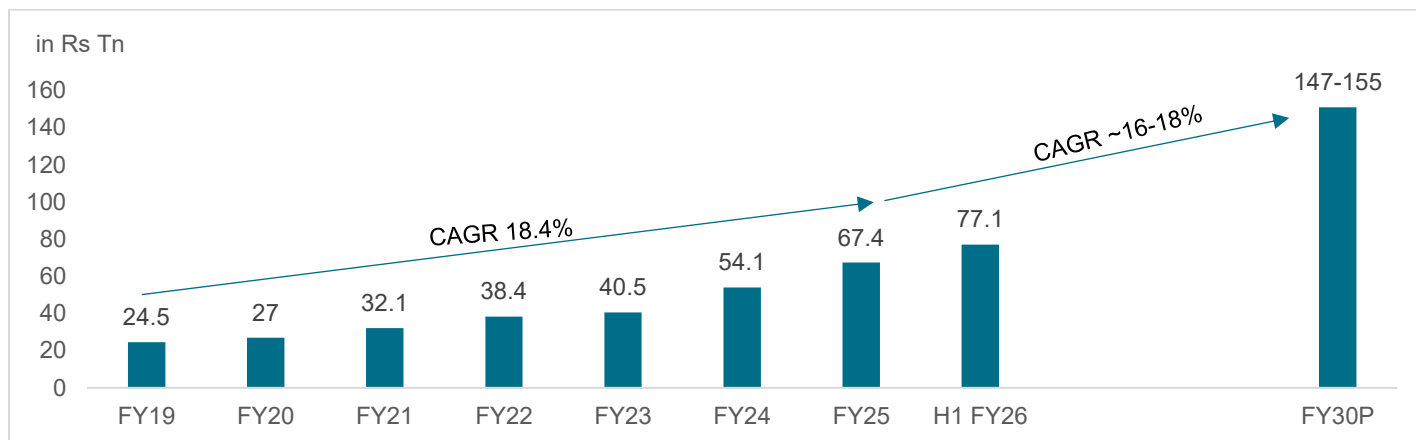
The assets under management (AUM) of the Indian mutual fund industry have grown at a healthy pace over the past few years against the backdrop of an expanding domestic economy, robust inflows and rising investor participation, particularly from individuals. Domestic mutual fund investors have continued to demonstrate confidence in Indian equities.

Average AUMs increased at 18.4% CAGR to reach Rs 67.4 trillion as of March 2025 from Rs 24.5 trillion as of March 2019. The stellar performance of the stock market in fiscal 2024, along with rise in inflows, growth in participation of retail investors



and improved macroeconomic conditions drove the growth. Mutual fund AUMs are expected to clock 16-18% CAGR between fiscals 2025 and 2030 and reach approximately Rs 147-155 trillion.

## Robust growth in Indian mutual fund AUMs between fiscals 2019 and 2025



Note: P: Projected; AUM is the average of the last quarter for each fiscal; AUM excluding FoFs – domestic but including FoFs– overseas. Source: AMFI, Crisil Intelligence

The investor demographics of the Indian mutual fund industry have shifted slightly, with high net worth individuals (HNIs) and retail investors increasingly taking centre stage. The share of HNIs in mutual fund investments has risen from 33.2% in fiscal 2020 to 33.9% in fiscal 2025 and to 33.8% as of September 2025. Similarly, retail investors have upped their stake, their share growing from 19.0% to 26.5% from fiscal 2020 to fiscal 2025. This trend suggests retail investors are becoming more confident in the mutual fund space, driven by factors such as ease of investment, diversification benefits and the potential for long-term wealth creation. The increasing participation of HNIs and retail investors is a positive development since it indicates a broadening of the investor base and a shift away from institutional dominance.

## Share of HNIs and retail investors increased from fiscal 2020 to fiscal 2025

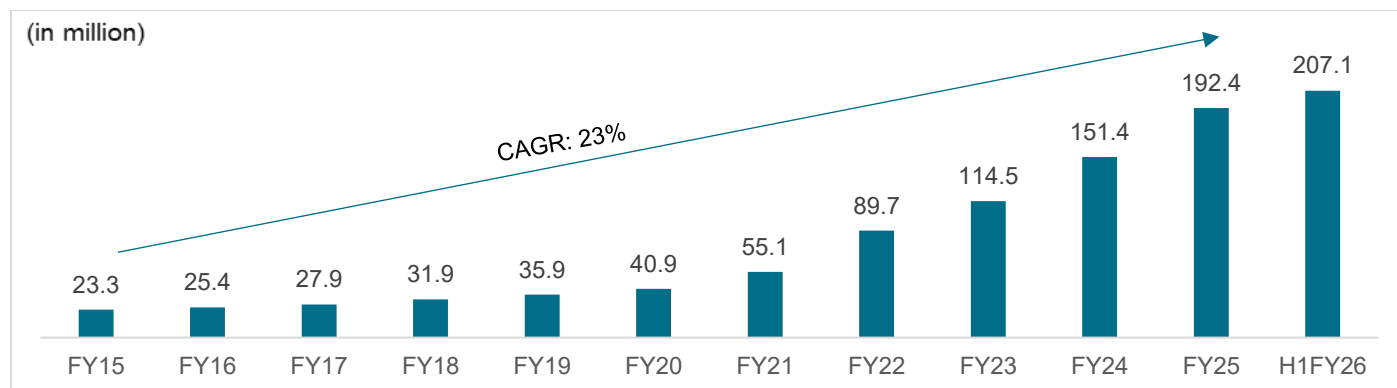
Type of investor	FY20	FY21	FY22	FY23	FY24	FY25	H1 FY26
<b>Corporates</b>	44.5%	44.3%	43.1%	40.5%	37.6%	37.6%	37.2%
<b>Banks/FIs</b>	3.1%	1.8%	1.6%	1.3%	1.7%	1.9%	2.1%
<b>FIs/FPIs</b>	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.0%
<b>High net worth individuals</b>	33.2%	31.8%	31.9%	33.3%	33.7%	33.9%	33.8%
<b>Retail</b>	19.0%	21.9%	23.3%	24.8%	26.8%	26.5%	26.9%

Note: % of AUM; HNIs are individuals investing Rs 2 lakh and above; market share is calculated based on the AUM as on March 31 for fiscals 2020 to 2025, Source: AMFI, Crisil Intelligence

## Trend in demat accounts in India

In recent years, the participation of individuals in the equity market has increased, driven by factors such as higher financial literacy, a growing middle class, digitalisation and enhanced accessibility. The number of demat accounts in India has grown at 23% CAGR from fiscal 2015 till fiscal 2025. The above data points suggest the increasing awareness and willingness of people to participate in capital markets for trading or with a long-term outlook.

## Growth in demat accounts since fiscal 2015

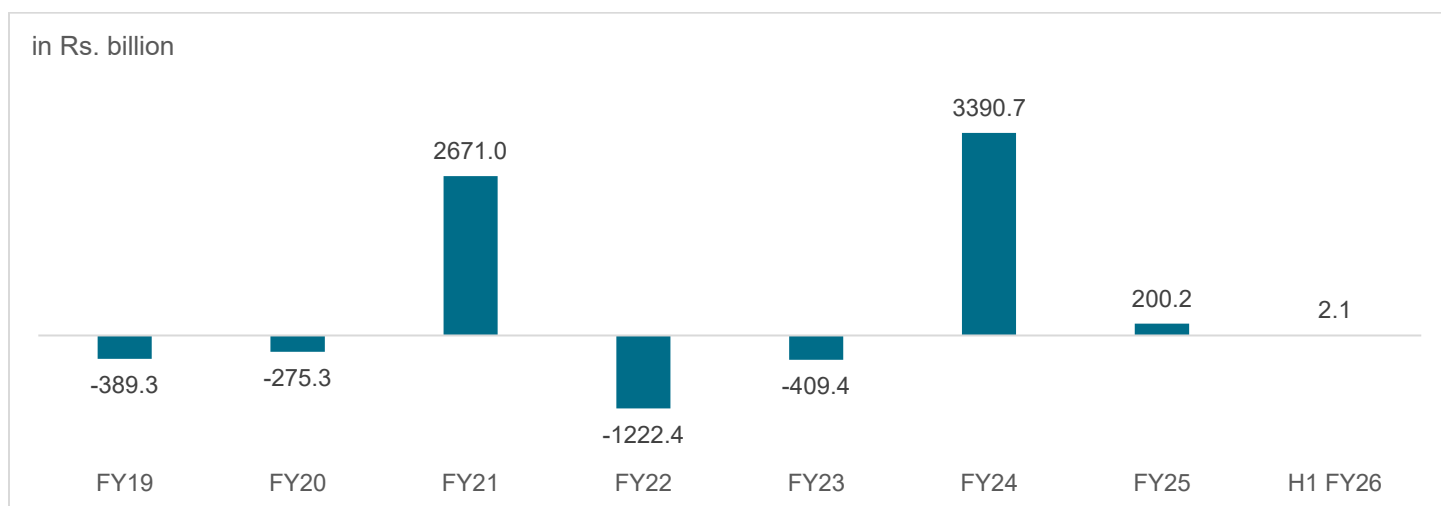


Source: CDSL, NSDL, Crisil Intelligence

## Institutional flows

During fiscal 2024, foreign portfolio investors (FPIs) increased their investment in Indian markets, buoyed by the country's robust economic growth, stable currency and easing inflationary pressures amid instability in global markets. As of fiscal 2025, there has been a net institutional flow of Rs. 200.2 billion. Stronger US dollar and treasury yield after the presidential election results have been exerting pressure on FPI flows.

## Foreign portfolio flows



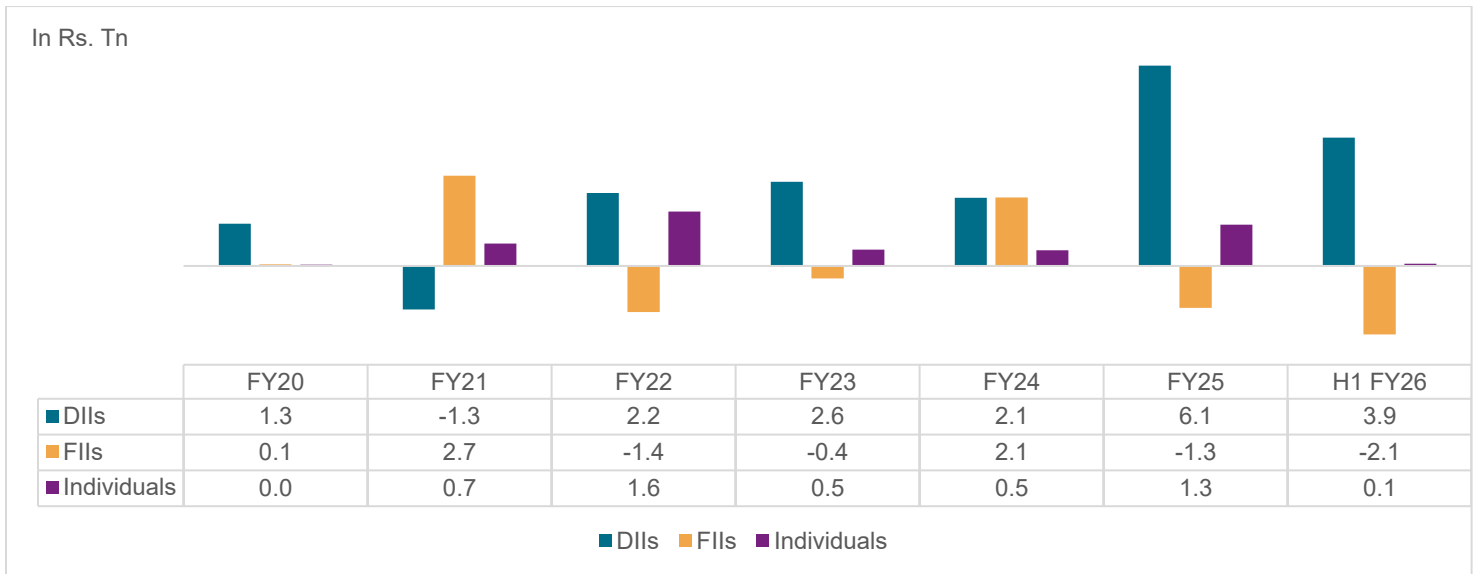
Source: NSDL, Crisil Intelligence

## Growth in participation of domestic capital in the Indian equity market

The investor base in India's equity market has shifted significantly in recent times, with domestic institutional investors (DIIs) and individual investors playing an increasingly important role. The growing participation of DIIs has been a key factor in stabilising the market since they have helped counterbalance FPI outflows.

Between fiscal 2020 and fiscal 2025, DIIs investment increased substantially, from Rs 1.3 trillion to Rs 6.1 trillion, a remarkable 36.5% CAGR. In H1 Fiscal 2026, DII investments stood at Rs 3.9 trillion. Notably, individuals have increased their participation in the equity market with Rs 1.3 trillion net-inflow as of fiscal 2025.

## Net inflows into the Indian equity market



*Note: data pertaining to individuals includes net flows on the NSE in the secondary market only; Individuals include individual / proprietorship firms, HUF and NRIs*

*Source: NSE Market Pulse Report, Crisil Intelligence*

## 2. Alternative asset management companies

### 2.1 Introduction to alternative assets

Alternative assets typically refer to financial assets that offer diversification benefits to portfolios and generate higher returns than traditional asset classes such as stocks or bonds. They are not usually traded on public exchanges and include private equity (PE), venture capital, hedge funds, real estate, infrastructure, commodities and other non-traditional assets.

Alternative asset managers, therefore, are financial professionals or firms that specialise in identifying, executing and managing these types of alternative asset classes, which typically have the potential to generate higher returns compared with traditional asset classes.

In India, the alternatives industry is divided into three primary structures: alternative investment funds (AIFs), real estate investment trusts (REITs) and infrastructure investment trusts (InvITs). AIFs constitute the bulk of the industry, while REITs and InvITs account for a significantly smaller share.

Offshore funds have increasingly become active participants in the Indian alternatives industry. These funds are typically investment vehicles registered outside India that pool capital from international investors to invest in Indian assets. These funds often collaborate with domestic AIFs or alternative asset management companies (AMCs) to tap into their strategic expertise on local markets, on-the-ground insights, regulatory compliance and efficient deal execution. This is a win-win collaboration, offering foreign investors access to India's high-growth alternatives market while leveraging the expertise and network of domestic players.

### 2.2 Business model of alternative asset managers

Certain asset classes such as PE and hedge funds typically follow a 2%/20% compensation structure, wherein 2% of the total AUM is paid as management fee, while a 20% performance linked profit share is levied on the profits that the fund generates above a specific threshold. Investors can benefit from the performance-based fee structure as managers are encouraged to take calculated risks that could potentially lead to higher returns.

- **Management fees:** PEs and hedge funds generate income principally from fees that are based on specified percentages of the net asset of the funds they manage. These fees are called management fees. Management fees are based on factors such as AUM, strategy of investment, servicing requirements, regulatory considerations, client relationships and client type. Depending on the product, management fees typically vary from 1-2%. The fees charged for equity funds are generally higher than those for debt and liquid funds, which are closer to 1%. Equity funds command relatively stable fees, whereas debt fund fees vary significantly depending on market conditions, fund duration and the competitive environment, and are typically lower than the maximum limits imposed by the Securities and Exchange Board of India (SEBI).
- **Carried interest:** Carried interest is a performance linked profit share that is usually levied on the profits generated by the fund, which is designed to incentivise managers to generate positive returns for investors. Carried interest typically varies from 10% to 20%. However, it could also be charged in different ways by managers, wherein the fee is attributed entirely to the management firm or partial allocations are made to specific members of the team in the form of their individual performance-linked incentives.
- **Sponsor commitment (or general partner contribution):** The Sebi AIF guidelines mandate that sponsors maintain a consistent stake in the AIF of not less than 2.5% of the corpus or Rs 50 million, whichever is lower. This sponsor commitment in the AIF reflects its skin in the game. Higher skin in the game demonstrates the manager's confidence in the fund, which is an important consideration for prospective investors. A higher level of sponsor commitment also results in superior economics for the manager as there is no fee charged or carry

shared on this portion of the fund. In the Industry higher sponsor contribution ranging between 5 to 10% of the fund corpus has been observed.

### Comparison between Alternative AMC and AIF

Parameter	Alternative AMC	AIF
<b>Use of capital</b>	To create and distribute alternative funds	To invest directly into companies
<b>Capital risk</b>	Upside oriented, lower downside risk	Both upside and downside risks, since investments are directly into companies
<b>Profitability profile</b>	Fairly stable as alternative AMC receives predictable multiple income streams from multiple funds	Volatile as distributions is less predictable and lumpy
<b>Management fee</b>	Alternative AMC receives management fee across multiple funds	Retail investor pays management fee to alternative AMC
<b>Carried interest</b>	Alternative AMC receives carried interest across multiple funds	Retail investor pays carried interest across multiple funds
<b>Valuation</b>	Function of profitability and net worth	Typically, a discount to net asset value
<b>Liquidity</b>	Listed entity, highly liquid	Limited liquidity even at discounts
<b>Precedent domestic</b>	Multiple alternative AMCs are listed, including Edelweiss Financial Services, 360 One WAM, Motilal Oswal	No listed AIFs
<b>Precedent international</b>	Several alternative AMCs have been listed for over 25 years, such as Blackstone and KKR.	PE funds are generally not listed
<b>Investor base of listed entity</b>	Institutional, HNI and retail	Institutional and HNI. No retail participation is allowed

Source: Crisil Intelligence

## 2.3 Roles of an alternative asset manager

**Investment strategy:** The asset manager is responsible for defining the fund's investment objective, thesis and strategy, including focus sectors of the funds, portfolio construct, risk tolerance and return expectations.

**Fund raising:** The asset manager plays a crucial role in raising capital for the fund by engaging with investors and leading the fund set-up, documentation and marketing activities.

**Fund management:** The asset manager is responsible for day-to-day management of the fund, including managing investor relationships and overseeing operations.

**Fund investments:** The asset manager makes investment decisions on behalf of the fund, including sourcing the deals, identifying potential investments, conducting due diligence, negotiating with the portfolio company's management and finalising a term sheet, getting requisite approvals for the investment and overseeing the portfolio investments.

**Portfolio management:** The asset manager is also responsible for monitoring the performance of the portfolio companies and ensuring a timely and appropriate exit from the investments to generate returns for the investors.

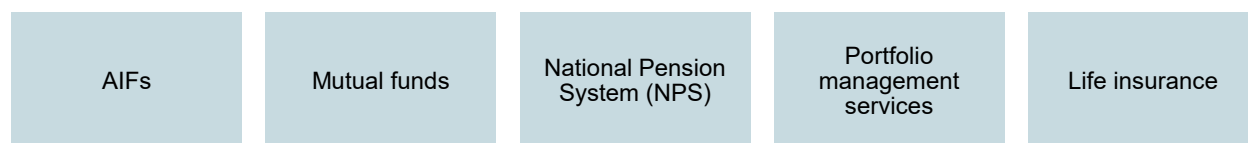
**Investor communications:** The asset manager is also responsible for providing reliable and accurate information regarding the fund and its performance with investors on a regular basis.



## 3. Alternative asset landscape in India

### 3.1 Alternatives have a huge headroom for growth in the Indian managed investments segment

The following products are included as a part of managed investments



The share of alternative products, as represented by commitment raised by AIFs, grew to 6.6% in March 2024 from 3.5% of total AUM of managed investment products<sup>1</sup> in March 2019. The share of managed investment products was ~96.8% of India's GDP as of March 2024. Despite such a strong growth in AIF, India's AIF market is still underdeveloped as against the rest of world. In 2019, for example, the AIF industry size in the US was \$10.3 trillion. As of March 2025, the ratio of Indian AIF industry's commitment to GDP stood at ~4.1%, which is significantly underpenetrated when compared to the ratio of the AIF net asset value (NAV) to GDP in the European Union (EU), which stands at ~42% (as of calendar year 2022) indicating substantial scope for further penetration for AIFs in India.

The alternative asset management industry operates in a highly competitive environment, driven by the increasing demand for high yield investments and risk adjusted returns. Businesses within this industry compete with other alternative investment funds, venture capital funds, private equity funds, specialized investment funds, hedge funds, corporate buyers, traditional asset managers, and other financial institutions. To maintain a competitive edge, alternative asset managers emphasize innovation, strategic partnerships, and strong risk management frameworks.

#### Key competitive factors

##### Investment Performance

The ability to generate superior risk-adjusted returns is a critical element in attracting and retaining investors. Firms must demonstrate consistent performance across market cycles, showcasing their ability to navigate complex market conditions and deliver strong returns. A strong track record of investment performance is essential for building trust and credibility with investors.

##### Business Relationships

Strong relationships with institutional investors, family offices, and distribution partners are vital for enhancing fund-raising capabilities. Access to proprietary deal flow and strategic partnerships provides a competitive advantage, enabling firms to identify and capitalize on investment opportunities that others may miss. Building and maintaining these relationships requires a deep understanding of investor needs and preferences, as well as a strong network of contacts and connections.

##### Quality of service

Providing high-quality service to investors is essential for building trust and loyalty. This includes transparent reporting, effective risk management, and tailored investment strategies that meet the unique needs and goals of each investor. Dedicated client services and effective communication are also critical, enabling firms to respond quickly to investor inquiries and concerns, and to provide timely updates on investment performance.

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<sup>1</sup> Includes AUM of life insurance, mutual funds, National Pension System, portfolio management services and commitments raised by AIFs.

## Fund terms, including Fees

Competitive fee structures, including management fees and performance fees, are key to investor decision-making. Investors are increasingly favouring lower fees, co-investment opportunities, and alignment of interests with fund managers. Firms must be able to offer flexible and transparent fee structures that reflect the value they provide to investors.

## Operational Efficiency and Risk Management

Effective risk management frameworks and operational efficiency are essential for driving long-term sustainability. Scalable investment platforms and strong internal controls improve cost efficiency and investor trust, enabling firms to manage risk and optimize investment returns. This includes implementing robust risk management systems, conducting regular audits and compliance reviews, and maintaining a strong culture of risk awareness and accountability.

## Talent Acquisition and Retention

The industry demands highly skilled professionals with specialized expertise in alternative investments. Firms must offer competitive salaries, performance-based incentives, and long-term career growth opportunities to attract and retain top talent. This includes providing ongoing training and development programs, as well as opportunities for professional advancement and growth.

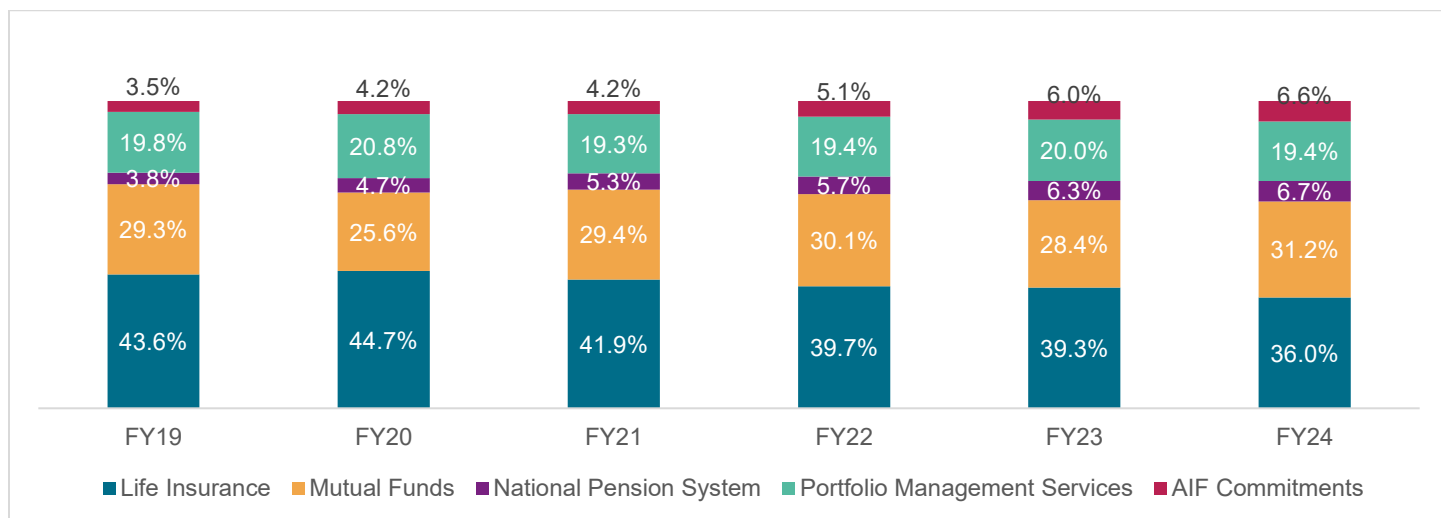
## Significant barriers to entry

Entering the alternative asset management industry requires complex regulatory requirements, expertise, making it difficult for new entrants to establish themselves. Firms must navigate complex regulatory requirements, build strong relationships with investors and partners, and demonstrate a deep understanding of the alternative investment landscape.

## Regulatory Compliance

The alternative asset management industry is heavily regulated, with firms subject to a range of regulatory requirements and oversight. Firms must be able to demonstrate a strong commitment to regulatory compliance, with robust systems and processes in place to manage risk and ensure adherence to regulatory requirements.

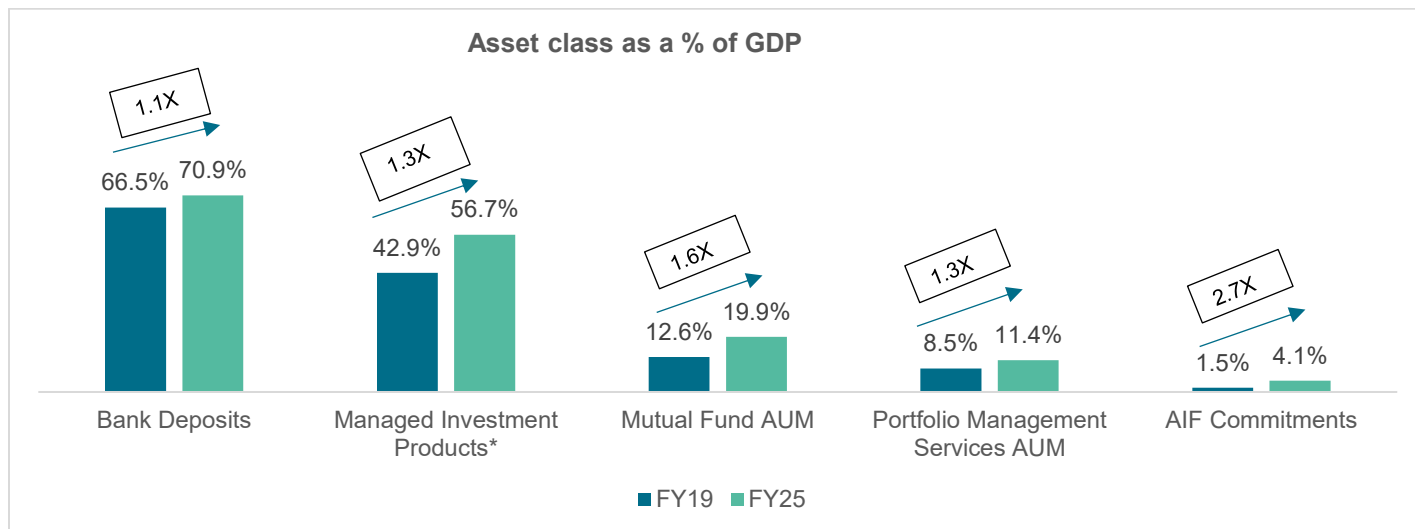
### The percentage share of AIF commitments increased steadily over the years compared with other managed investment products



Source: SEBI, AMFI, IRDAI, NPS Trust, Crisil Intelligence



Over fiscals 2019 to 2025, the percentage of AIF commitments to GDP witnessed the highest growth at 2.7x versus other asset classes



Note: (\*) - Data for managed investment products is as of fiscal 2024; Data is basis the Nominal GDP. Source: SEBI, RBI, AMFI, IRDAI, NPS Trust, Crisil Intelligence

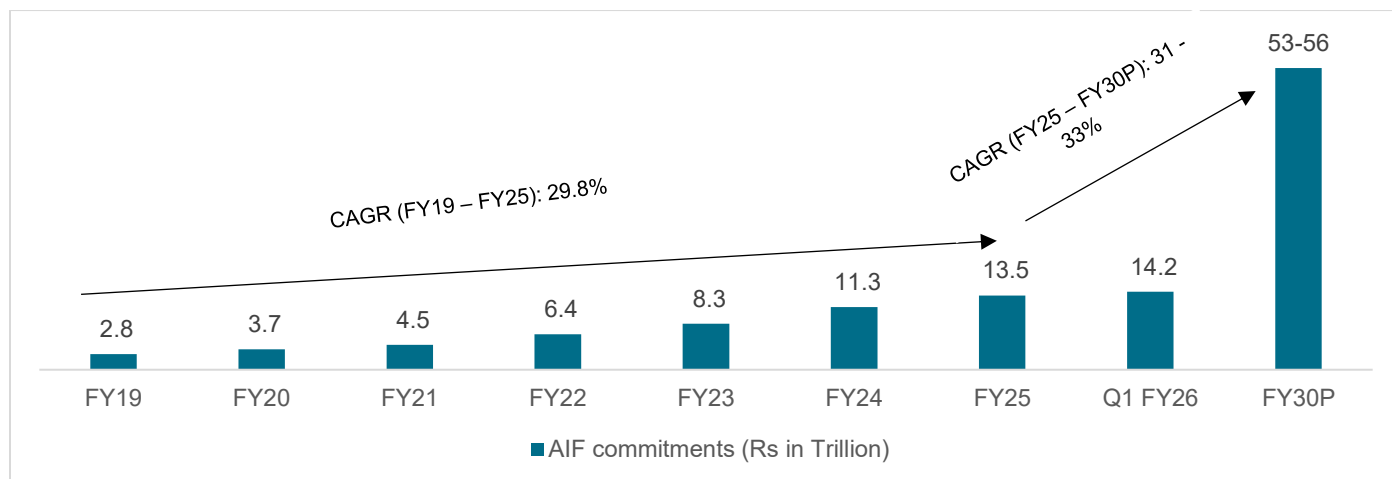
### 3.2 The AIF industry witnessed strong growth between fiscal 2019 and fiscal 2025

Over the past few years, AIF has become one of the key segments in private markets in India. Alternative investment products are among the fastest growing managed investment products in India. Total commitments have been growing at a steady pace seeing a ~30% CAGR between March 2019 and March 2025, with a total commitment of Rs 13.49 trillion as on March 31, 2025. As of Q1 Fiscal 2026, total commitments stood at Rs. 14.18 trillion. The segment is expected to remain one of the fastest growing managed products categories over the next few years as more and more high net worth individuals (HNIs), ultra-HNIs and institutional investors seek out differentiated products that give them an option to generate better returns on their investments.

Alternative investments are expanding the market by capturing share from other asset classes, not mutual funds. Their relatively higher yields than other asset classes add to increased profitability, driving growth in the investment landscape. As of fiscal 2025 and Q1 fiscal 2026, the AUM for alternative investments in India stood at Rs 13.49 trillion and Rs 14.18 trillion, respectively, and is expected to grow at ~31-33% between March 2025 and March 2030 and reach ~Rs 53-56 trillion by March 2030.

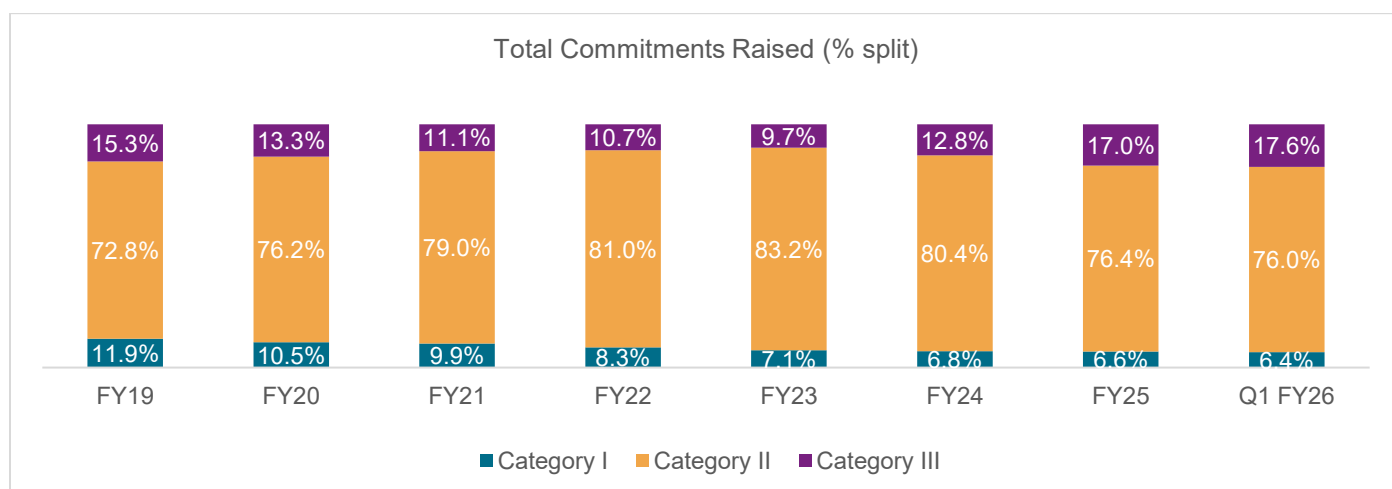
Category II AIFs have been at the forefront in the AIF space, contributing to 76.4% of the commitments raised as of fiscal 2025. This denotes their prominence and influence within the AIF market. Investments made refer to the amount invested by the AIFs. Investments made as a percentage of funds raised rose from 81.8% as of March 2019 to 95.5% as of March 2025. The increase was steady over the past five years, which would generally mean that after the fundraising process is completed, the investment managers and AIFs have been deploying the capital and making investments for the investors.

## AIF commitments to grow at 31-33% in the long term



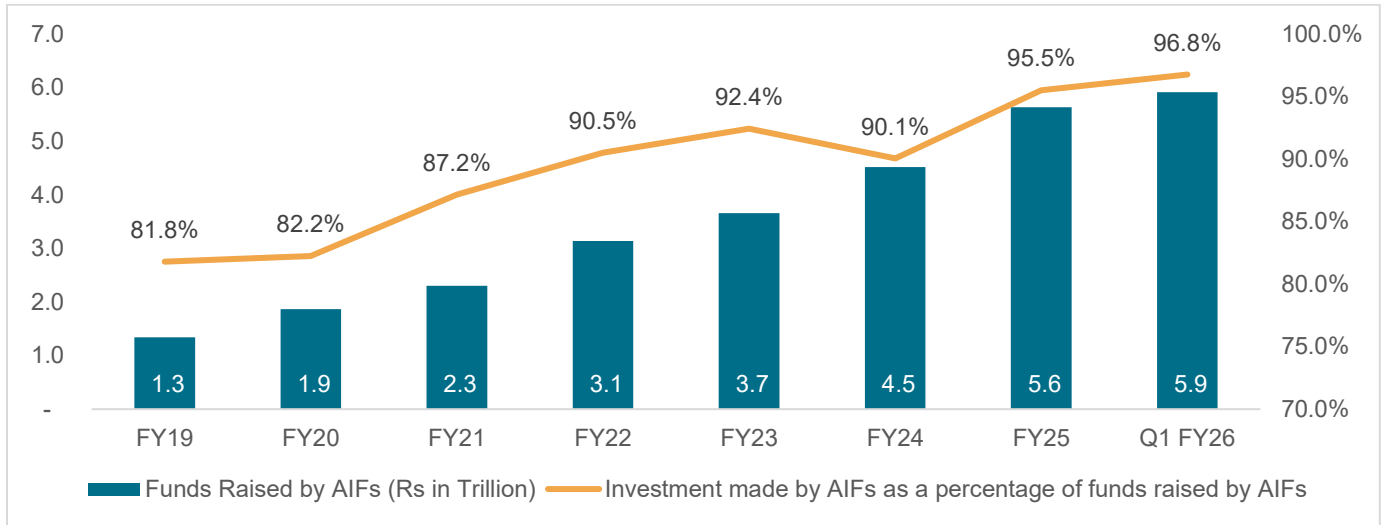
Source: SEBI, Crisil Intelligence

## Category II AIFs constitute the majority share of AIF commitments over the years



Source: SEBI, Crisil Intelligence

## Investments made by AIFs as a percentage of the funds raised by AIFs witnessed steady growth from fiscal 2019 to fiscal 2025

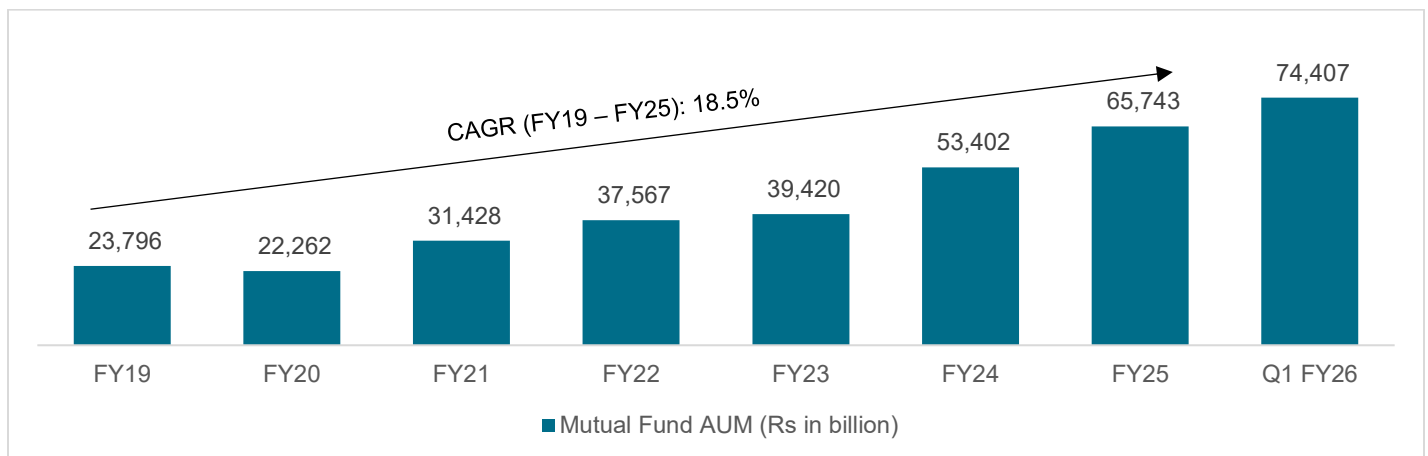


Source: SEBI, Crisil Intelligence

### 3.3 Growth in AIF AUM is significantly higher than traditional asset classes such as mutual funds and deposits

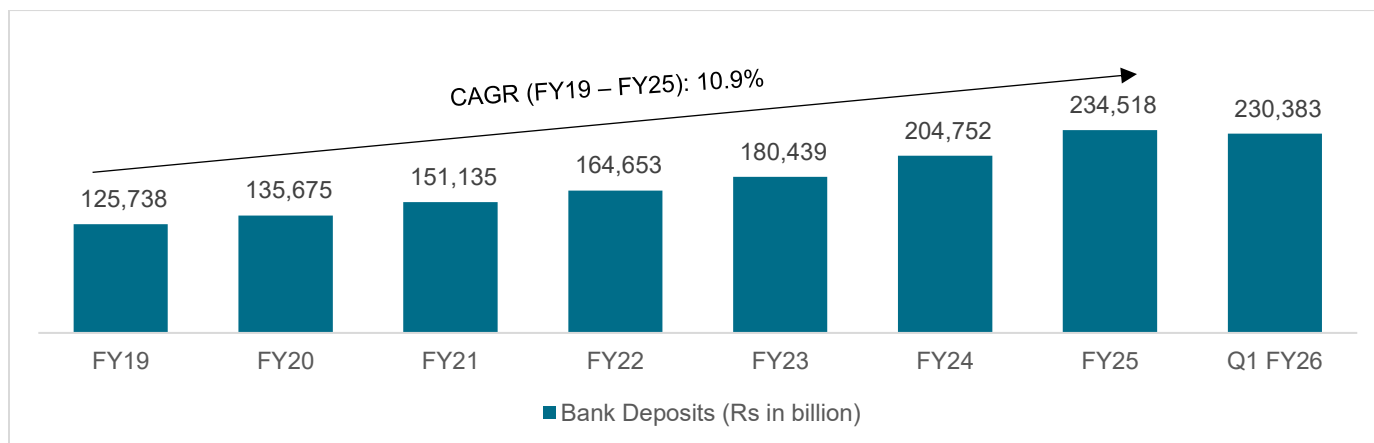
While AIFs logged a ~30% CAGR between fiscal 2019 and fiscal 2025, mutual funds saw a substantially slower 18.5% CAGR in the same period. Similarly, aggregate deposits in banks in India logged a 10.9% CAGR between fiscal 2019 and fiscal 2025, which was muted in comparison to the growth in AIFs. The scale of AIFs versus mutual fund AUMs and aggregate deposits in banks is still miniscule, indicating headroom to maintain the strong growth.

#### Mutual fund AUMs in India logged an 18.5% CAGR between fiscal 2019 and fiscal 2025



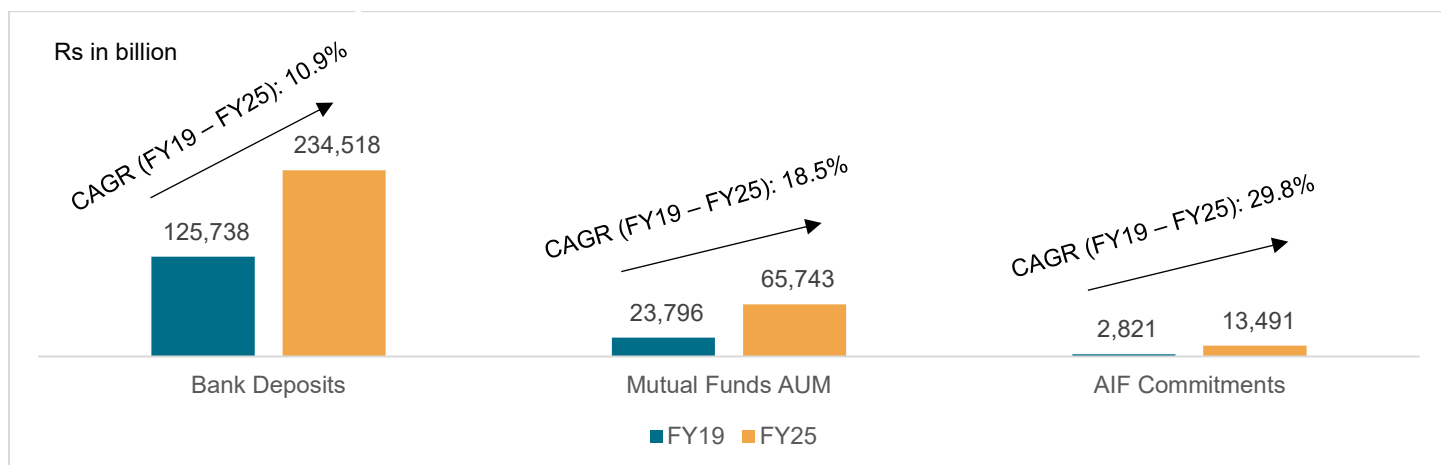
Source: AMFI, Crisil Intelligence

## Growth in bank deposits was muted versus that in alternatives and mutual funds



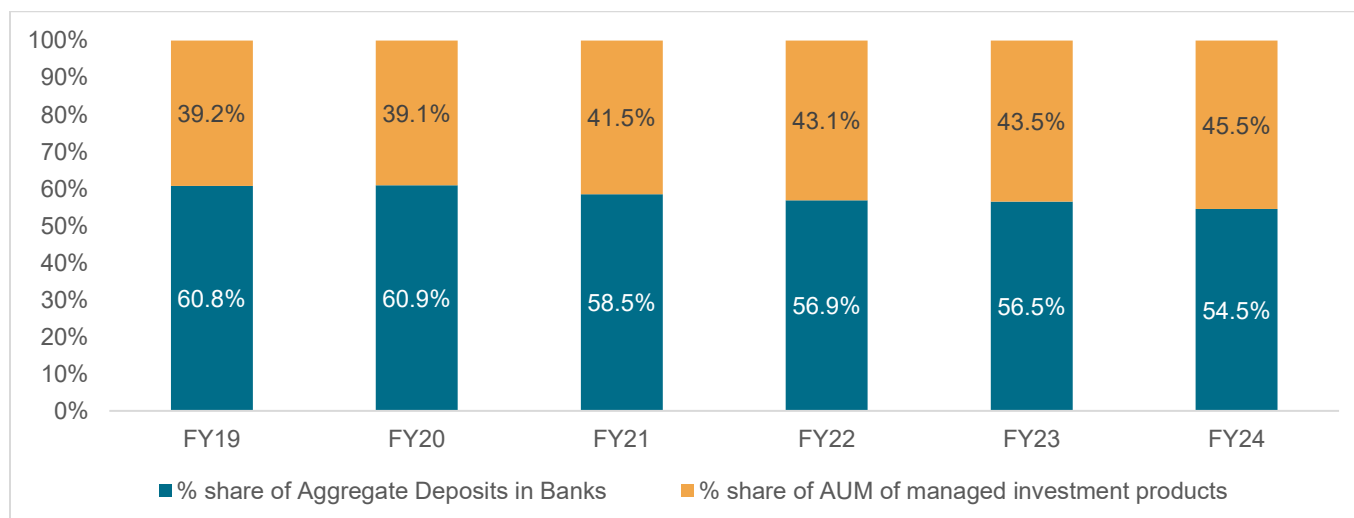
Source: RBI, Crisil Intelligence

## Comparison of AIF commitments, mutual fund AUMs and bank deposits indicate strong growth potential for AIFs



Source: SEBI, RBI, AMFI, Crisil Intelligence

## The share of managed investment products is rising as compared with bank deposits



Source: SEBI, RBI, AMFI, IRDAI, NPS Trust, Crisil Intelligence

### **3.4 AIFs are gaining significant traction as private equity (PE) and venture capital (VC) investments are stepping up their India plays**

AIF denotes any fund established or incorporated in India, which is a privately pooled investment vehicle collecting funds from sophisticated investors, whether Indian or foreign, to invest in accordance with a defined policy for the benefit of investors.

Alternative assets include private equity, private debt (dealing mainly in performing credit, distressed assets, real estate credit, and infrastructure funds), early-stage ventures, special opportunity funds, and art. However, they do not include traditional investments such as mutual funds and life insurance. Private equity AIFs cater to HNI/UHNI clients and institutions such as sovereign wealth funds, insurance companies, and banks. Private equity AIFs compete with portfolio management services (PMS) for the wallet share of such UHNI and HNI clients. While the private equity industry saw strong growth over the past decade, with investors rushing to invest in start-ups in India, newer products such as social ventures, arts, small and medium enterprise (SME) funds, and real estate funds are also gaining prominence. On the debt side, institutional investors such as insurance companies and pension funds are also investing in alternative assets in search of better returns.

### **3.5 Investor profile**

Resident Indian individuals, non-resident Indians (NRIs), foreign nationals and institutional investors can invest in AIFs. However, due to minimum investment requirement of Rs 10 million Rs 2.5 million in the case of angel funds), only sophisticated private investors (non-retail) can invest in AIFs. Also, as per SEBI guidelines, AIFs can only be marketed through private placement. The directors, employees and fund managers of AIFs are permitted to invest in AIFs with a minimum amount of Rs 2.5 million. Investor profile varies depending upon the investment objective of the fund and targeted market segment. Usually, UHNIs/HNIs, corporate treasuries, insurance companies, family offices, etc invest in AIFs (family offices are the personal wealth management firms of ultrarich families). UHNIs/HNIs and institutional investors are well informed and attuned to adopting higher risk return strategies.

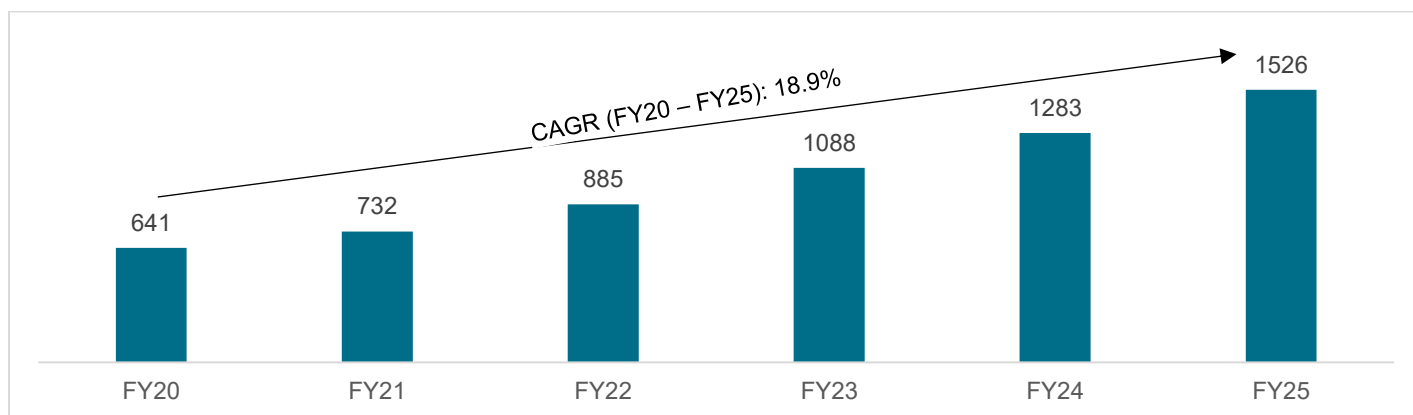
AIFs have become popular in India because they offer investors a range of alternative assets, including private equity, real estate and infrastructure. They provide diversification beyond traditional asset classes such as listed equities, bonds, currencies, or gold and offer potentially better returns.

Since their inception, AIFs have witnessed a remarkable rise in the number of funds registered, commitments raised, and new investments made. This was enabled by the enterprise of the industry and propelled by SEBI's measures to enhance and streamline the ecosystem.

AIF activity in terms of commitments raised has clocked a CAGR of ~30% between fiscal 2019 and fiscal 2025. India is expected to remain an attractive destination for PE and VC investments in the long-term.

Robust economic growth, rising entrepreneurship, a large consumer base, higher digital adoption, favourable regulatory environment and government initiatives and schemes should provide ample opportunities for investors in the coming years.

**The number of alternative funds registered is on an upward trend**



Source: SEBI, Crisil Intelligence

### 3.6 Equity funds in private markets outperform public-market peers

Private equity funds are generally expected to have outperformed public market returns over the long-term on account of value generated from smaller sized companies, insulation from the volatility of public markets and an opportunity to leverage a large, fairly inefficient market, enabling the asset class to generate higher returns. However, a trade-off to availing these returns for private equity investors is to lose out on the liquidity inherent to the public markets.

Typically, private equity funds generate higher returns than their public market peers for the following reasons:

- **Value creation** - PE funds usually maintain strong relationships with the management teams of their portfolio companies, offering guidance and influencing critical business decisions. PE funds also bring in board representation in their portfolio company and constitute operations advisory teams. They build targeted value creation plans, by leveraging existing networks, aimed at increasing profitability and driving revenue growth of their portfolio companies through acquisitions or market expansion. Additionally, PE funds have access to a larger set of companies across sectors and at different stages, which enables the asset class to obtain an edge over public equity.
- **Market inefficiency** – In theory, investors are equipped with superior information that enables them to get better returns. This advantage, however, relies on market participants not having equal access to the same information. In public equity markets, decisions are predominantly made based on widely available data such as company disclosures, quarterly results, analyst reports etc, resulting in frequent transactions and price efficiencies. Hence, outperforming in public markets is more challenging than private markets as information often is derived from primary sources, industry experts, and on-site evaluations. The infrequency of transactions and information asymmetry in private equity markets support the market inefficiency theory, providing private market investors with an added advantage.
- **Size of target companies** – Usually, PE players target smaller companies with lower market capitalisation because of the potential of higher returns. PE managers typically aim to grow these businesses by enhancing management teams, pursuing synergistic acquisitions, improving operational efficiencies, investing in technology and providing better access to capital. Such smaller firms also offer numerous opportunities to build value, enabling PE firms to leverage various strategies for enhanced performance.
- **Protection from short-term market volatility** – As short-term market fluctuations do not usually affect PE valuations, asset owners can implement long-term value creation strategies without worrying about market volatility. During market downturns, PE funds can acquire quality assets at favourable prices, especially when other equity investors are compelled to liquidate their positions.
- **Debt/leverage** – PE funds typically deploy significant levels of debt to finance their investments. They tend to finance the acquisition of a company using the assets and projected cash flows of the acquired company as

collateral. Typically, the cost of debt is lower than the expected return on equity, thereby magnifying investment returns. However, if debt becomes costly or if the company faces a financial strain, the PE fund would find it difficult to service its debt obligations and keep investing in growth initiatives.

- **Exit strategies** – PE funds maximise returns by strategically timing exits using IPOs, secondary sales or other such routes. The Indian stock market has become an attractive destination for these funds because of its growth in recent years, opening up opportunities for them to exit their investments through IPOs, mergers and acquisitions or strategic sales.

The bottom line is that though private equity funds charge higher fees than other investment funds, they can still be more lucrative for investors because of their ability to drive value creation, insulate themselves from the volatility of public markets and to leverage a large and fairly inefficient market.

### 3.7 Factors driving the growth of AIFs in India

Alternative investment funds (AIFs) have become popular in India because they offer investors a wide range of alternative assets, including private equity, real estate and infrastructure. This diversification beyond the traditional asset classes — such as listed equities, bonds, currencies and gold — gives AIF investors a chance to earn higher returns. This segment is expected to grow on the back of a growing pool of UHNIs and HNIs, an increase in the flow of domestic capital flow, better regulatory support and the presence of more experienced managers.

AIFs offer global investors the opportunity to invest in sectors with higher growth potential, such as technology, consumer goods, financial services, healthcare, infrastructure and renewable energy. In India, the changing economic landscape gives investors an opportunity to earn enormous returns by investing in such promising sectors and diversifying to minimise risk.

Alternatives, as an asset class, are seeing higher adoption among investors with higher risk appetite. Even domestic retail investors, who have traditionally preferred fixed income instruments such as bank fixed deposits, are now starting to find capital-market products more attractive. HNIs and ultra-HNIs, along with an increasing number of domestic institutions, form the foundation of the domestic AIF industry. The SEBI has been proactively trying to bring in more transparency in the industry.

The reasons for the growth of AIFs can be summarised as:

- **Diversification benefits**

AIFs offer diversification benefits beyond the traditional asset classes. So, it can generate higher returns because of exposure to a wider range of assets and specialised investment strategies. Investors seeking diversification and higher returns find AIFs attractive.

- **Emergence of experienced managers**

Experienced and established managers with a proven ability to navigate all market conditions are necessary for the growth of any investment class. The domestic market is seeing more such experts who have a consistent track record of generating higher returns across multiple funds and business cycles.

- **More eligible investors**

Institutional capital flow into the domestic market has increased recently due to better economic growth and a strong equity market. There is also a rise in HNIs, UHNIs and first-generation entrepreneurs looking to invest in assets that can give higher returns.

**Savings in capital market instruments have seen a significant increase over the years, with AIFs, InvITs and REITs seeing the highest CAGR from fiscal 2021 to fiscal 2024**

Stock of financial capital market assets of households (Rs trillion)	FY21	FY22	FY23	FY24	CAGR (FY21-FY24)
Mutual funds	18.3	22.5	24.5	36.3	25.6%
Equity	39.7	57.1	53.7	84.1	28.4%
Debt	5.2	5.3	5.5	5.9	4.5%
AIF + InvIT + REIT	0.1	0.2	0.2	1.6	140.1%
<b>Total</b>	<b>63.3</b>	<b>85.1</b>	<b>83.8</b>	<b>127.8</b>	<b>26.4%</b>

Source: SEBI, CRISIL Intelligence

- **Increase in domestic capital flow**

Currently, foreign investors dominate the AIF industry in India. The shift in focus from traditional investment products to AIFs and SEBI making regulatory changes proactively would help change the investment mix in favour of domestic investors. In recent years, domestic institutional investors, such as retirement funds and insurance companies, have been allowed to invest in AIFs. This will be a major growth driver for the industry.

- **Demographic advantages**

India has a median age of below 30 years and one of the world's youngest workforces. This implies that there is a readily available pool of skilled and efficient labour to drive domestic and foreign capital investment. Further, the size of the younger population could drive innovation in the economy, leading to a more thriving startup ecosystem. Additionally, the increased in per capita income and disposable income in the country can potentially drive investments into newer asset classes such as alternative investments and portfolio management services.

- **Rise of startup culture**

Over the past few years, the startup culture in India has been thriving. The government says the launch of the Startup India initiative in 2016 has created more than 146,000 recognised startups as on September 15, 2024. The PE industry has shown strong growth over the last decade as new investors rush to invest in the startups. The dynamic nature of the underlying supply will ensure there are enough exit options, which will boost investor confidence.

- **Deepening financial markets**

India's financial ecosystem is flourishing as credit penetration increases. This will facilitate AIFs to infuse capital into startups and MSMEs, leading to economic expansion

- **RBI's allowance of foreign investment**

Category III AIFs with foreign investments can make portfolio investments in only the securities or instruments in which an FPI can invest under the Foreign Exchange Management Act or the regulations made thereunder. In May 2021, SEBI, in consultation with the Reserve Bank of India (RBI), doubled the overseas investment limit for AIFs from \$750 million to \$1,500 million.

- **Increase in investment opportunities in smaller cities**

Tier-1 cities in India are usually the hub for most VC and PE investments as these places have well-developed infrastructure, a stable and growing economy, better technology and many other advantages. While AIFs have preferred tier-1 cities for investments, they have lately started shifting their focus to the smaller cities as well. One reason for this is that these cities and towns are seeing a considerable rise in entrepreneurship. Also, the Make in India initiative by the Union government, increased digitalisation and educated population have given these regions more visibility within the startup ecosystem.



### 3.8 Regulatory oversight for the AIF segment

The AIF sector has been continuously evolving and growing. The policy developments initiated by the regulator have been focused on compliance and are aimed at building investor confidence, increasing transparency and bringing in more participants. Some of the regulatory initiatives include:

- Standardising the private placement memorandum (PPM) and PPM audits, and mandatory benchmarking of AIFs, which will play a key role in improving transparency and help investors make informed decisions
- Introducing more investment opportunities such as encouraging AIFs to be set up in the International Financial Services Centre (IFSC) in GIFT City by offering tax incentives, access to world-class infrastructure, proximity to onshore markets and certain exemptions to non-resident investors, among others
- Mandating that AIFs hold their units and investments in the demat form, to safeguard investor interest and to protect them from fraud
- Making it compulsory for AIFs to appoint a custodian (previously, AIFs had to do this only if they had a corpus of more than Rs 5 billion)
- Relaxing the borrowing guidelines for Category I and II AIFs to meet temporary funding needs. Such borrowings are permitted for up to 30 days, can occur a maximum of four times in a calendar year, and must not exceed 10% of the investable funds

#### A timeline of some of the major regulatory changes made over the years:

2012	<ul style="list-style-type: none"> <li>• SEBI (Alternative Investments Funds) Regulations, 2012, introduced in May</li> </ul>
2013	<ul style="list-style-type: none"> <li>• Periodic reporting to SEBI by AIFs made mandatory</li> <li>• Risk management framework introduced for Category III AIFs</li> <li>• Circular issued to clarify calculation of exposures and NAV, obligation of AIF and custodian in case of breach of limits</li> </ul>
2014	<ul style="list-style-type: none"> <li>• Disclosure of fees, charges and litigation in private placement memorandum (PPM) made compulsory</li> <li>• Managers ordered to prepare and submit compliance test reports for better scrutiny</li> </ul>
2015	<ul style="list-style-type: none"> <li>• Guidelines released for overseas investment by AIFs/VCFs to enable more investment options for alternative investment funds</li> </ul>
2017	<ul style="list-style-type: none"> <li>• Online system for registration of AIFs, reporting and filing introduced</li> <li>• Enhanced reporting format brought in for Category III AIFs to capture investments in commodities</li> </ul>
2018	<ul style="list-style-type: none"> <li>• Guidelines introduced for AIFs' operations in IFSC</li> </ul>
2020	<ul style="list-style-type: none"> <li>• Enhanced and standardised disclosure norms instituted to improve AIFs' transparency</li> <li>• Accountability of members of the investment committee for AIF's investment decisions, in case it is a decision-making body, spelt out</li> <li>• Performance benchmarking made mandatory for AIFs</li> <li>• Templates for PPMs introduced</li> <li>• Annual audit of PPMs made mandatory</li> </ul>
2021	<ul style="list-style-type: none"> <li>• New framework brought in for AIFs to invest in the units of other AIFs, to widen the pool of investors</li> <li>• A new class of investors (accredited investors) introduced</li> <li>• Filing of PPMs through a SEBI-registered merchant banker made mandatory</li> <li>• Rules introduced to route co-investment through a co-investment portfolio manager, as specified under SEBI (PMS) Regulation 2020</li> </ul>

	<ul style="list-style-type: none"> <li>Disclosure practices strengthened to provide relevant information to investors, to inform investors and SEBI the changes in key management personnel (KMPs) and to maintain data on investor complaints in a specified format</li> </ul>
<b>2022</b>	<ul style="list-style-type: none"> <li>Special situation funds introduced to invest in special situation assets</li> <li>Appointment of a compliance officer made mandatory to bring AIFs on a par with other investment products</li> <li>Guidelines introduced to govern large value funds for accredited investors</li> <li>Operational aspects standardised through guidelines with respect to first close, calculation of tenure, fees, commitment made by manager/sponsor and change in manager/sponsor</li> <li>Requirement of an Indian connection for overseas investment eliminated to provide more overseas investment opportunities</li> <li>Priority distribution model discontinued to bring all investors on an equal footing</li> </ul>
<b>2023</b>	<ul style="list-style-type: none"> <li>Direct plan for AIF schemes and trail model for distribution commission in AIFs introduced</li> <li>All schemes of AIFs ordered to dematerialise their units</li> <li>Standardised approach introduced for valuation of investment portfolios: Securities, except those under MF regulations, can be valued by a system endorsed by an AIF industry association</li> <li>Flexibility given to AIFs to deal with investments not sold due to lack of liquidity during winding up, but consent of 75% investors by value needed</li> <li>Manager made responsible for true and fair valuation of AIF investment; told to keep investors informed about the reasons for deviations in specific situations</li> </ul>
<b>2024</b>	<ul style="list-style-type: none"> <li>To allow investee company to raise debt, Category I and Category II AIFs allowed to create encumbrance on equity of the investee company engaged in certain sectors and sub-sectors</li> <li>AIFs' cost reduced and rules relaxed for submission of certain data through merchant bankers</li> <li>AIFs told to ensure one key personnel in the investment team has passed the NISM Series-XIX-C examination</li> <li>Category I and II AIFs allowed to borrow to meet a temporary shortfall in the amount required to invest in investee companies</li> <li>Timelines relaxed for AIFs to report to performance benchmarking agencies valuation numbers based on audited data</li> </ul>
<b>2025</b>	<ul style="list-style-type: none"> <li>Cat II AIFs permitted to invest more than 50% of the investible funds in listed debt securities</li> <li>Cat II AIFS funds permitted to invest in debt securities including securitized debt instruments rated "A" or below by a credit agency registered with the regulator</li> <li>One year extension for Venture capital funds migration to Alternative investment funds regulation</li> <li>Introduction of Accredited Investor-only (AI-only) AIF Schemes, where Accredited Investors can invest without any minimum ticket size</li> </ul>

## Category II AIFs across categories of funds have witnessed the highest addition in numbers

Category of AIFs	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024	March 31, 2025
<b>Category I - Total</b>	<b>164</b>	<b>178</b>	<b>204</b>	<b>253</b>	<b>288</b>	<b>321</b>
<b>Infrastructure fund</b>	16	16	18	19	19	17
<b>Social impact fund</b>	14	14	14	14	13	12
<b>Venture capital fund (including angel fund)</b>	119	133	157	204	235	266
<b>SME fund</b>	15	15	15	15	14	15
<b>Special situation funds</b>	0	0	0	1	7	11

Category II	348	409	508	628	737	862
Category III	129	145	173	207	258	343
Total	641	732	885	1,088	1,283	1526

Note: Data is as on March 31; Source: SEBI, CRISIL Intelligence

- **Landscape before AIF regulations**

Private equity Funds started investing in the Indian market shortly after liberalisation of the economy, in early 1990s. These were the early years of India's alternatives ecosystem. To encourage the flows, which were primarily early-stage venture capital investment in tech-related companies, the Securities and Exchange Board of India (SEBI) introduced the SEBI Venture Capital Funds Regulations, 1996. It also introduced the Foreign Venture Capital Investor Regulations in 2000.

The segment grew with a wide variety of funds investing in various stages of companies. Due to the lack of a coherent regulatory structure in AIFs, the funds faced challenges while catering to the diverse set of private capital funds. Adopting a one-size-fits-all approach was ineffective. As a result, the AIF regulations were introduced in 2012, recognising alternative investment funds such as PE and VC funds as a distinct asset class.

- **AIF regulations of 2012**

The SEBI (Alternative Investment Funds) Regulations, 2012, on May 21, 2012, represents a pivotal moment for the Indian private capital industry. This regulatory framework aims to address the evolving needs of an industry that has expanded significantly since its inception in the mid-1980s.

The regulations mandated that all funds established in India for pooling capital from domestic or foreign investors must register with SEBI. AIFs can mobilise funds on a private placement basis, it added.

SEBI has defined three categories of AIFs on the basis of the investment strategy, purpose, leverage and complexity of trading strategies:

- **Category I AIFs:** These invest in startups, early-stage ventures, social ventures, infrastructure or other sectors that the government deems socially or economically desirable. These funds are perceived to have a positive impact on the economy and may receive government incentives.
- **Category II AIFs:** These are AIFs that do not fall under Category I & III and which do not undertake leverage or borrowing other than to meet day-to-day operational requirements, as permitted in the SEBI (Alternative Investment Funds) Regulations, 2012. These include private equity funds, real estate funds, debt funds and fund of funds.
- **Category III AIFs:** These funds employ complex trading strategies and may use leverage through investments in listed or unlisted derivatives.

**Fund of funds (FOFs):** These are a relatively new investment category that has been gaining popularity among investors. FOFs invest in other funds, ranging from small family offices to large asset management firms. They offer a way for investors to diversify their portfolio without taking on the risk of investing directly in these funds. They also provide the advantage of reducing bias, wherein the managers managing the funds are not biased toward any specific region or industry and base investment decisions based on performance or potential.

### Different categories of AIFs

Category I	Category II	Category III
Venture capital funds (including angel funds) – New-age startups with high-growth prospects that require large financing during their initial days can approach a VC fund. An angel investor invests in budding	Private equity funds (including secondary funds) – A PE fund typically invests in unlisted private companies by availing of equity interest	Funds that engage in many complex trading techniques, e.g., listed, or unlisted derivatives

startups and brings in early business-management experience.		
SME funds – invest in small and medium businesses	Real estate funds – invest in securities that are offered by public real estate companies	Hedge funds – a pooled investment vehicle from UHNIs/HNIs or institutional investors that invest and trade in different markets, strategies and instruments (equity, debt and derivatives)
Social venture funds – invest in socially responsible businesses; they are in similar to philanthropic investments but have a scope for earning returns for investors	Funds for distressed assets –invest in stressed assets of companies, with the investment philosophy that a turnaround of these assets can provide high returns	Private investment in public equity (PIPE) funds – invests in shares of publicly traded companies, wherein shares are acquired at a discounted price
Infrastructure funds – invest in infrastructure companies, including those involved in road construction and railway construction		

Source: SEBI, CRISIL Intelligence

The AIF regulations, 2012, also stipulate several important conditions, including:

- A minimum fund size of Rs 200 million
- A maximum of 1,000 investors per fund, with a minimum investment of Rs 10 million per investor
- A continuing sponsor commitment of either 2.5% of the corpus or Rs 50 million (whichever is lesser) for category I AIFs and Category II AIFs; and 5% of the corpus or Rs 100 million (whichever is lesser) for Category III AIFs
- Specific disclosure requirements regarding investment strategies, valuation procedures and methodologies, as well as potential conflicts of interest
- Sponsor or manager for Category I or Category II funds may appoint a custodian registered with the SEBI, if the corpus is more than Rs 5 billion. While Category III AIFs are to compulsorily appoint a custodian irrespective of its corpus

### Key regulations and guidelines for AIF categories

Parameters	Category I	Category II	Category III
<b>Type of scheme</b>	Closed-end funds	Closed-end funds	Can be open ended or closed-end funds
<b>Minimum investment by an investor in AIF</b> <ul style="list-style-type: none"> <li>• For employees or directors of the AIF or its manager</li> <li>• For other investors</li> </ul>	<ul style="list-style-type: none"> <li>• \$40,000</li> <li>• \$150,000</li> </ul>	Same as Category I	Same as Category I
<b>Minimum corpus requirement for each scheme of the AIF</b>	\$3,000,000	Same as Category I	Same as Category I
<b>Borrowing of funds / leverage</b>	Not permitted to borrow or engage in leverage directly or indirectly, except for temporary funding requirements (subject to conditions with respect to the number of times in a year and the quantum specified by the SEBI)	Same as Category I	Permitted with the consent of investors and subject to the maximum limit specified by SEBI
<b>Tenure per scheme</b>	Minimum three years. Extension of the term is possible, subject to conditions	Same as Category I	Not applicable

<b>Continuing interest of the manager or sponsor (not as a waiver of fees)</b>	Lower of: <ul style="list-style-type: none"> <li>• 2.5% of corpus</li> <li>• \$750,000</li> </ul>	Same as Category I	Lower of: <ul style="list-style-type: none"> <li>• 5% of corpus</li> <li>• \$1,500,000</li> </ul>
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Source: CRISIL Intelligence

## AIF industry evolution

Period	Particulars
<b>1980 – 1990s</b>	Indian entrepreneurs and startups sought funding to fuel their ideas, and PE and VC firms recognised the potential of the Indian market.
<b>Early 2000s</b>	Rise of hedge funds, real estate and infrastructure investments, as well as growing interest in commodities
<b>2012 – 2013</b>	SEBI introduces the AIF regulations; Risk Management Framework introduced for CAT III AIFs
<b>2014 – 2015</b>	Guidelines on overseas investments by AIFs; launch of REITs and InvITs
<b>2017 – 2018</b>	Operational guidelines for IFSCs; introduction of the online registration system
<b>2020</b>	Enhanced and standardised disclosure norms; performance benchmarking for AIFs; investment committee norms
<b>2021</b>	Code of conduct; new class of investors; mandatory filing of PPM; enhanced disclosure
<b>2022</b>	Introduction of special-situation funds; compliance officer made mandatory; introduction of direct plan for AIFs; standard approach to valuation
<b>2023</b>	

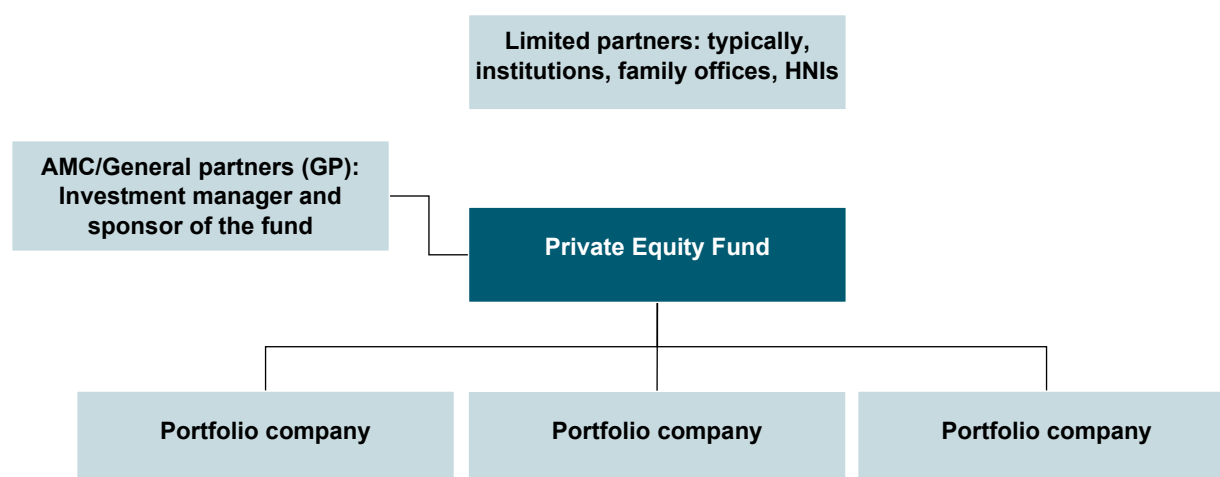
Source: CRISIL Intelligence

## 3.1 Private equity

India has emerged as a preferred destination for private equity investments driven by favourable factors, that create a conducive environment for investors. India's entrepreneurial ecosystem has witnessed significant growth in recent years, with a surge in startups and small businesses across various sectors. However, access to capital remains a major challenge for many Indian entrepreneurs, hindering their ability to scale and grow. Private Equity and Venture Capital investments play a pivotal role as a crucial source of funding for Indian entrepreneurs, providing the necessary capital for businesses to grow and expand their operations. Moreover, in the past few years the country experienced a surge in private equity transactions within the startup segment, propelling India to the third position globally as of FY24 with more than 110 unicorns, trailing behind the United States and China.

### 3.1.1 Private equity funds investing in promising startups, driving growth and delivering strong returns

Private equity AMCs have played a crucial role in providing vital support and financial backing to emerging startups and businesses at various stages of their growth and operation. Their involvement has been instrumental in fuelling the development of these ventures, enabling them to scale, innovate, and navigate challenges effectively. The funds managed by these AMCs invest in and manage growing companies, with the goal of generating returns through the eventual sale or IPO of these companies. The business model of private equity involves raising capital from investors which are also known as limited partners (LP) or investors. They provide capital to the fund but do not participate in the management of funds. These investors can be institutional investors, high net worth individuals etc. General partner (GP) or alternative asset manager is responsible for the management of funds and their operations. They also contribute their own capital showcasing their commitment to the opportunity, and identify and acquire promising companies, they add value to these companies through operational improvements and strategic guidance and ultimately exiting the investments to realize returns. Private Equity AMCs primarily generate revenue through number of streams, including asset management fees ( ~2% of AUM) which is charged to clients as a percentage of assets being managed, profits from sponsor commitment, and carried interest of ~20% of the fund's profit above a certain threshold which is also known as the performance fee paid to Private Equity AMC. A private equity fund typically has a life span of about 8-10 years, with an investment period of ~3-5 years.



*Note: GP is general partner, LP is limited Partners, Source: CRISIL Intelligence*

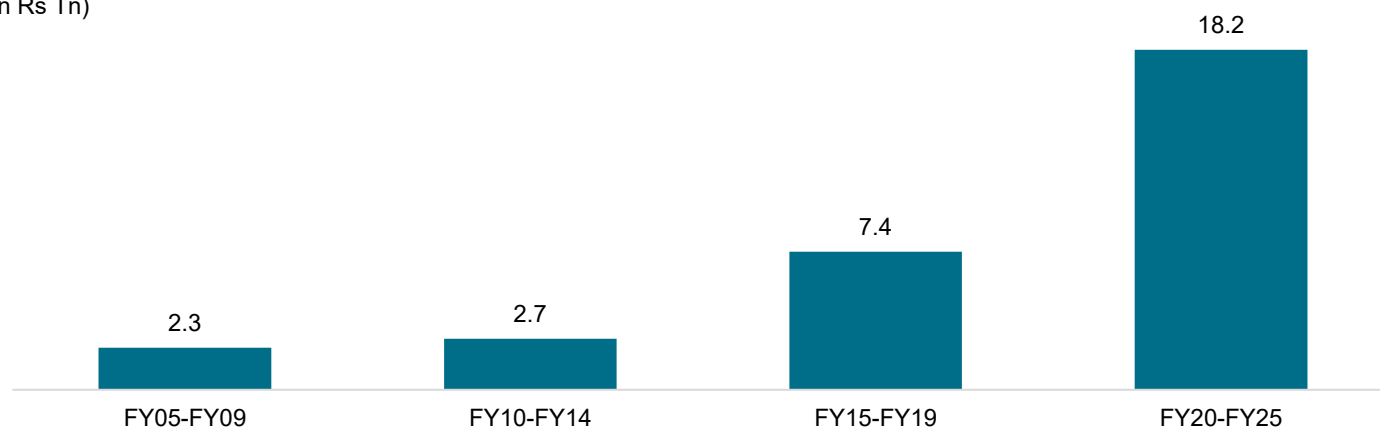
## 3.1.2 Rise in investment activity in terms of number of deals between fiscal 2020 and fiscal 2025

The Indian startup ecosystem witnessed a remarkable surge in early 2010s, driven by growth in ecommerce. During the period, private equity funds emerged as the most active investment in Indian startups actively participating in various industries, including financial services, consumer products, and services companies. Notably, companies such as Flipkart and Snapdeal, achieved rapid scaling due to these investments, which enabled them to expand their operations and improve their market presence. Further, PE investments facilitated the growth of new-age startups in the financial space, allowing them to innovate and disrupt traditional business models. Additionally, consumer-focused companies, such as Zomato and Swiggy, received significant PE investments, enabling them to scale their operations and expand their geographic footprint. Over the past decade, these companies have undergone significant transformations, driven by their ability to adapt to changing market conditions and consumer preferences. The Indian private equity investments ecosystem witnessed a significant surge in volume between fiscals 2015 and 2019, with 7,907 deals worth ~Rs 7.40 trillion. Fiscal 2022 saw a total of 2095 deals valued at Rs 4,590.0 billion, a substantial increase from fiscal 2021's 1,377 deals worth Rs 3,467.6 billion. This uptick can be attributed to the post-pandemic economic recovery, leading to an increase in investor confidence and a subsequent rise in deal activities, with significant investments flowing into sectors, such as information technology, consumer discretionary, healthcare and financials. In fiscal 2025, India saw the closure of 1,377 private equity investment deals amounting to about Rs 2,111.3 billion. As of fiscal 2026TD, private equity investment deals amounted to Rs 1,810 billion with 1,018 deals.

Private equity investments have witnessed a substantial surge in value in the last 2 decades, with a total of ~Rs 18.24 trillion worth of deals reported during fiscal 2020 and 2025. Within this period, fiscal 2022 saw significant growth, with investments reaching ~Rs 4.6 trillion. While fiscals 2023 and 2024 saw year on year declines in investment in terms of value, fiscal 2025 grew by 3% year on year, indicating potential rebound in the investment cycle.

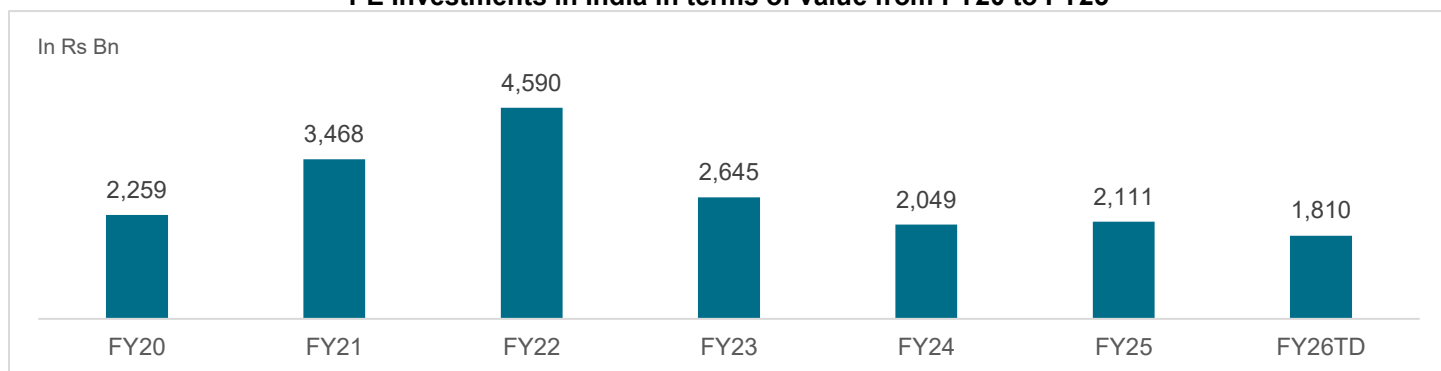
### PE investments in India in terms of value from FY05 to FY25

(In Rs Tn)



*Note: Exchange rates considered for period FY05-09, FY10-FY14, FY15-FY19 & FY20-FY25 are 1\$= Rs 44.11, Rs 51.17, 64.73 and Rs 81.66 respectively (average exchange rate of the period), PE Investments include Angel/Seed, Venture Capital, Private Equity, Pre IPO, Public Equity, QIPs, Real estate and other deals, Source: VCCEdge, CRISIL Intelligence*

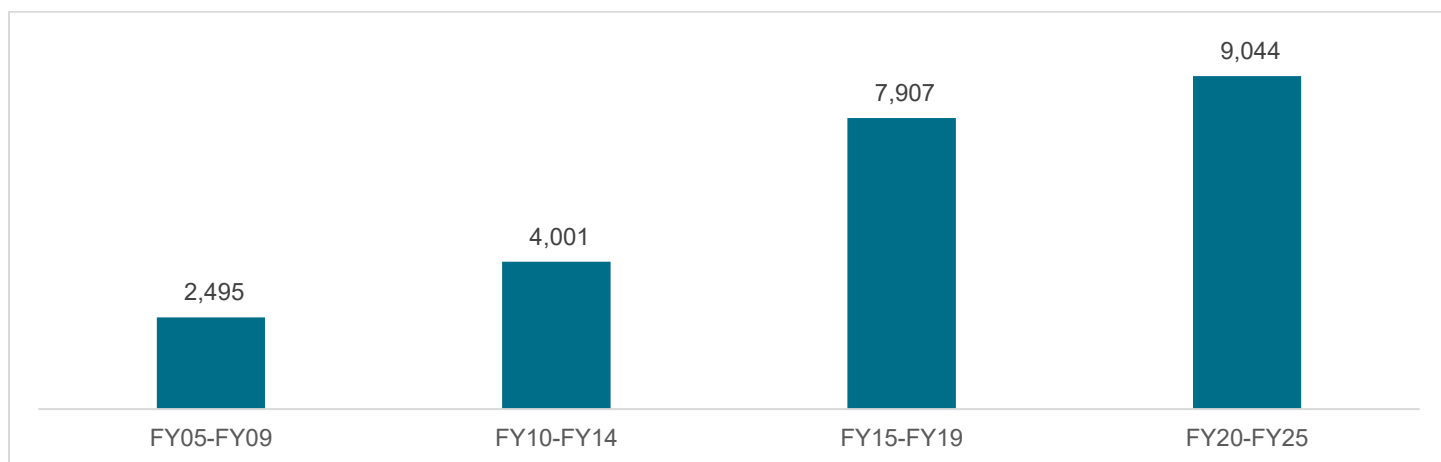
## PE Investments in India in terms of value from FY20 to FY25



Note: Exchange rate for FY20- FY25 is basis exchange rate as on the deal date, PE Investments include Angel/Seed, Venture Capital, Private Equity, Pre IPO, Public Equity, QIPs, Real estate and other deals, FY26TD:- Data as on 16<sup>th</sup> Oct 2025. Source: VCCEdge, CRISIL Intelligence

Over years, there has been a notable shift in the investor approach, with a focus on selective investments that support sustainability, profitability and long-term value creation. Additionally, macroeconomic factors such as heightened interest rates and inflation have increased capital costs, leading to a more cautious approach. This shift is reflected in the decline in volume from fiscal 2022 to fiscal 2025. However, similar to the trend observed in investment value, the number of deals also exhibited a 16% year-on-year increase in fiscal 2025.

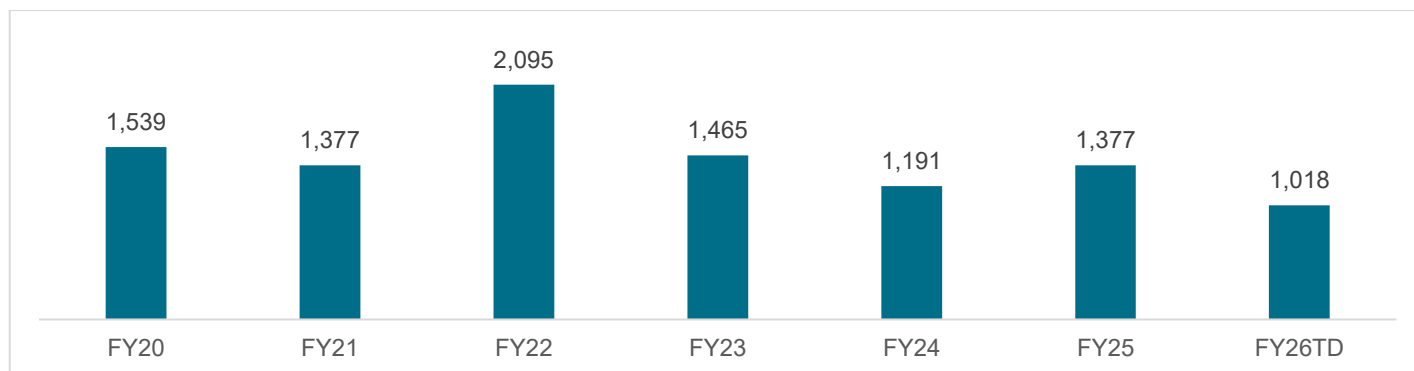
## Number of PE Investments in India from FY05 to FY25



Note: PE Investments include Angel/Seed, Venture Capital, Private Equity, Pre IPO, Public Equity, QIPs, Real estate and other deals, Source: VCCEdge, CRISIL Intelligence



## Number of PE Investments in India from FY20 to FY25



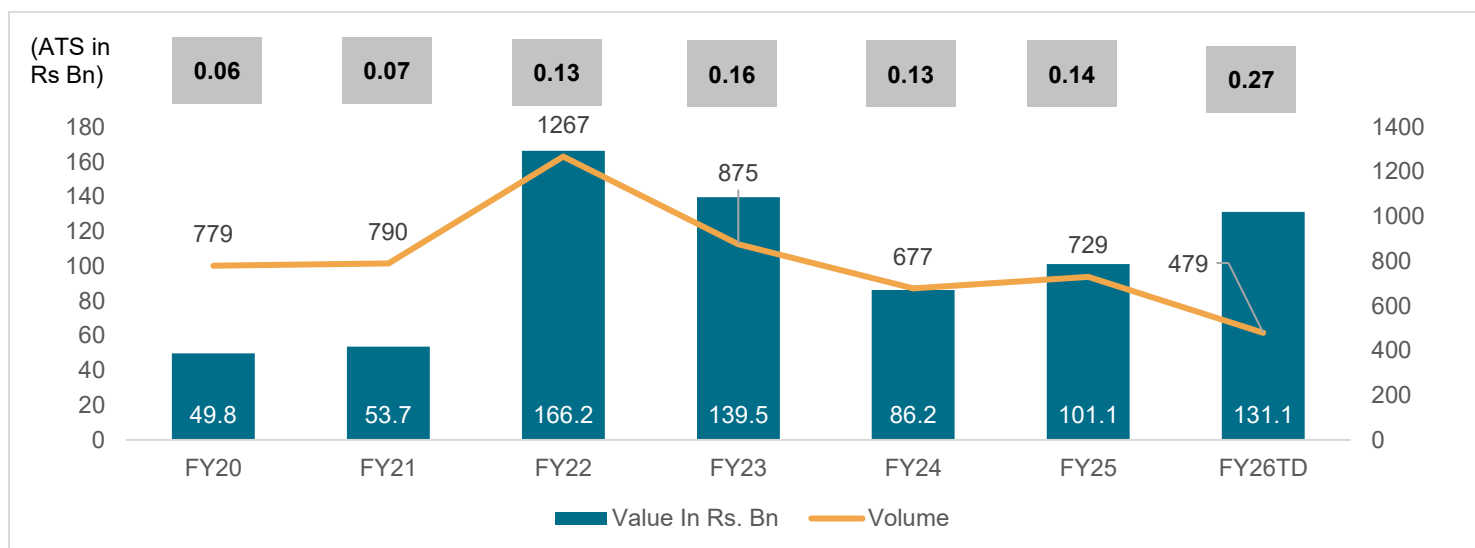
Note: PE Investments include Angel/Seed, Venture Capital, Private Equity, Pre IPO, Public Equity, QIPs, Real estate and other deals, , FY26TD:- Data as on 16<sup>th</sup> Oct 2025. Source: VCCEdge, CRISIL Intelligence

### 3.1.3 Deal type analysis

**Angel/seed funding:** Angel/seed funding represents the earliest stage of private equity investments, commonly extended to startups or early-stage enterprises. Angel/seed funding is used to support the development of a business idea, product, or service. This funding aids entrepreneurs in validating their ideas, creating prototypes, and gearing up for subsequent funding stages.

Angel/seed funding, characterised by its relatively small investment sizes, has seen a downturn in both the number and value of deals in fiscal 2025, compared to its peak in fiscal 2022. Despite this, the average investment size has risen to Rs 0.14 billion in fiscal 2025, indicating that investors are becoming more selective and opting to back startups with strong growth prospects. In fiscal 2026TD, the average investment size increased further to Rs 0.27 billion.

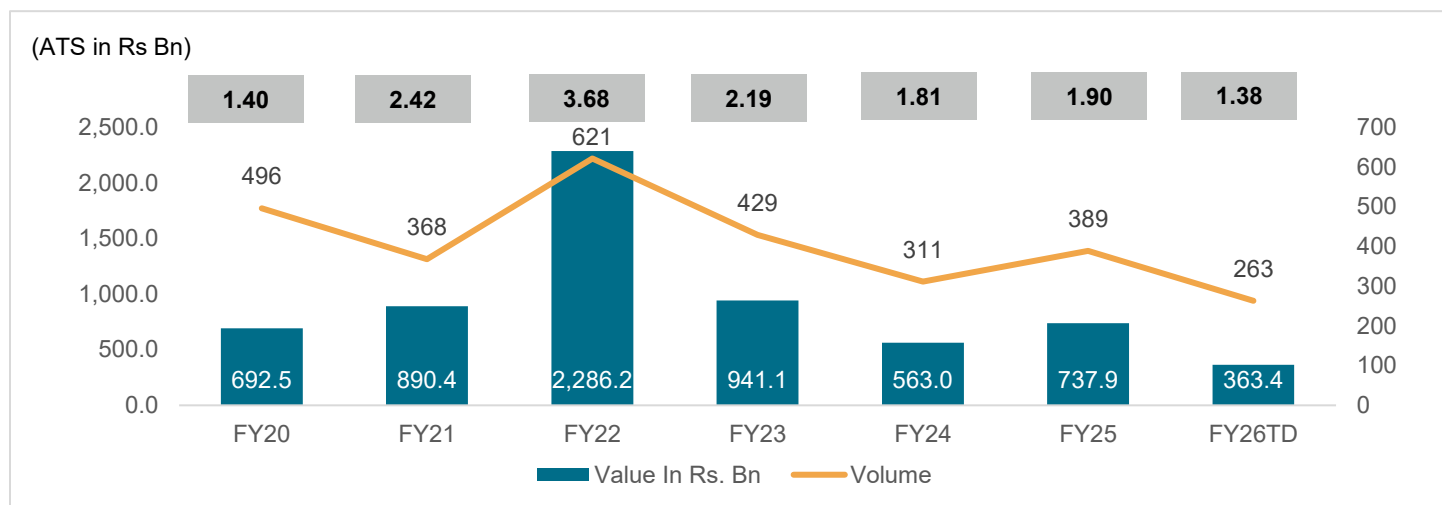
#### Average ticket size increased, despite a fall in the number of deals for angel funding



Note: FY26TD:- Data as on 16<sup>th</sup> Oct 2025. Source: VCCEdge, CRISIL Intelligence

**Venture funding:** Venture capital funding is a type of private equity investment that invests in companies with established products, strong management teams, and scalable business models. VC funding is typically provided in multiple rounds, with each round increasing in size and valuation. VC firms play an active role in guiding the company, offering strategic advice, and facilitating connections with industry networks.

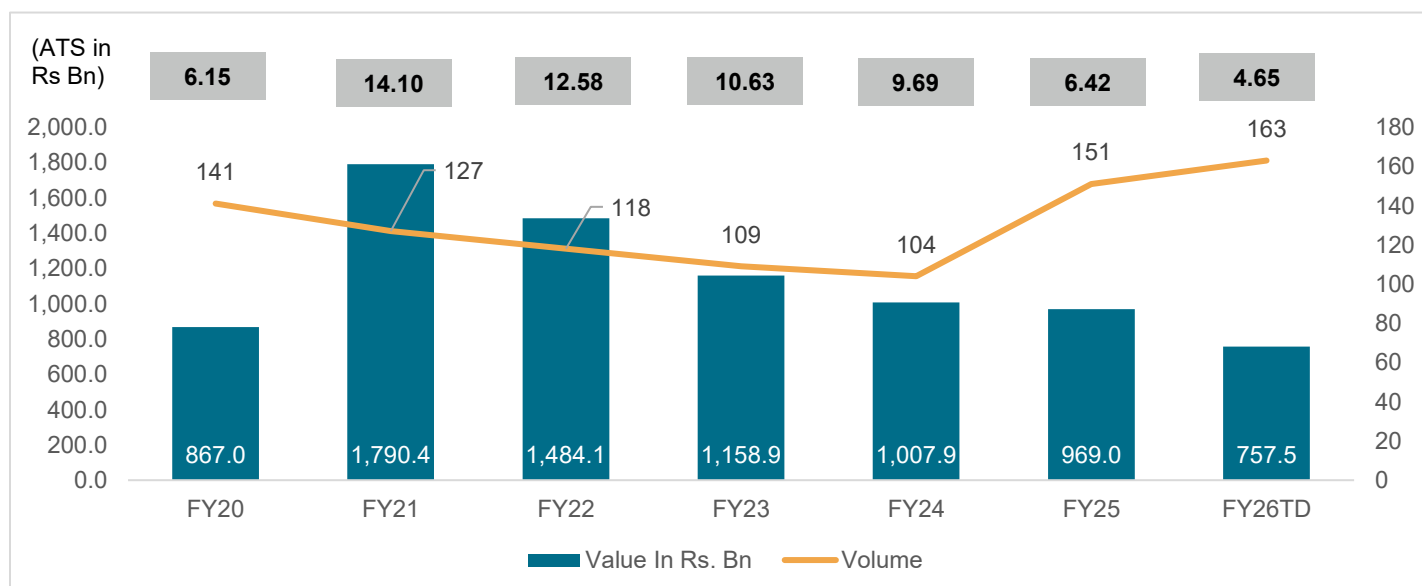
Venture capital funding has significantly expanded since the past decade and saw ~5.6 times increase in terms of value, increasing from Rs 131 billion in fiscal 2014 to Rs 738 billion in fiscal 2025. Between fiscal 2023 to 2024, venture capital investments saw a 40% decline in value, leading to a drop in the average ticket size to Rs 1.81 billion from Rs 2.19 billion in the same period. The funding category has been consolidating, as investors are placing a strong emphasis on the economic sustainability of the firms they invest in. In fiscal 2025, there was an improvement seen in terms of value, volume and average ticket size.



Note: FY26TD:- Data as on 16th Oct 2025. Source: VCCEdge, CRISIL Intelligence

**Private equity funding:** It is a type of investment provided to established companies that require capital to expand or restructure. PE firms invest in companies with a proven track record of profitability, with the goal of generating returns through financial leverage, operational improvements, and strategic acquisitions. PE firms sometimes take a controlling stake in the company and work closely with management to implement operational improvements and drive growth.

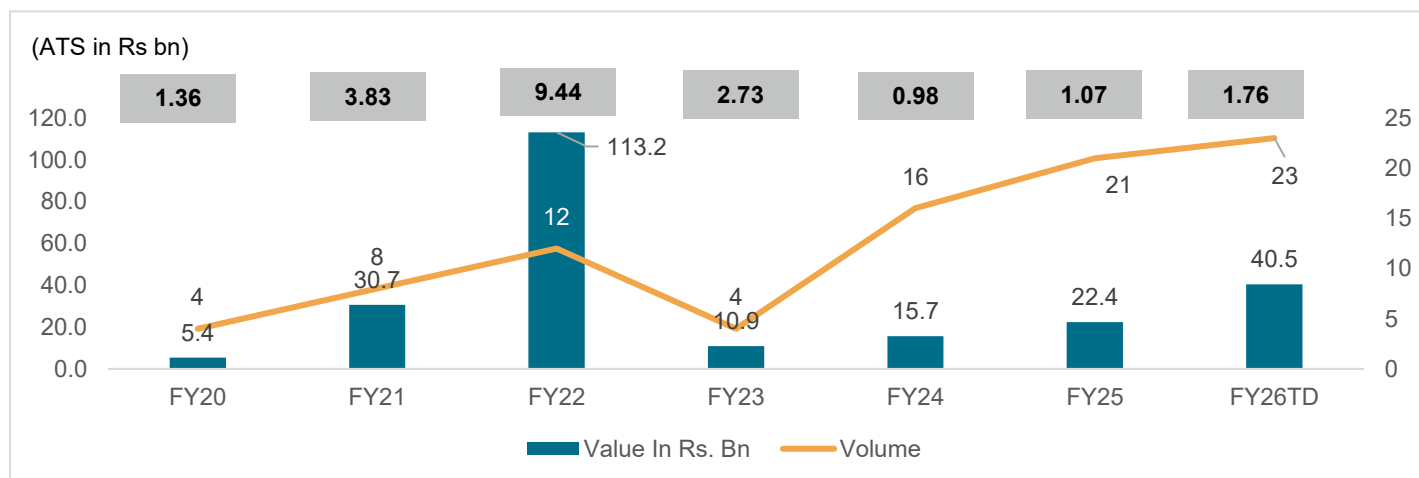
Private equity witnessed uptick in volume from 104 deals in fiscal 2024 to 151 deals in fiscal 2025. Its average ticket size decreased to Rs. 6.42 billion due to decrease in value.



Note: FY26TD:- Data as on 16th Oct 2025. Source: VCCEdge, CRISIL Intelligence

**Pre-IPO funding:** Pre-IPO funding is a type of PE investment provided to companies that are preparing to go public. This type of funding is used to support a company's growth and expansion plans, as well as to prepare for the IPO process. In fact, pre-IPO funding is often used to strengthen a company's balance sheet, invest in growth initiatives and build a strong management team.

The uptake of this investment route can be gauged from the fact that pre-IPO funding posted a five-fold increase over fiscals 2023 to 2025, to 21 deals from 4 deals. This can be attributed to restored investor confidence and a buoyant equity market, which, consequently, saw the number of IPOs increase to 272 in the fiscal 2024 from 164 in fiscal 2023, i.e. a 66% on-year rise. This had a strong cascading effect for pre-IPO funding, as companies sought additional capital to strengthen their balance sheets and meet regulatory requirements in a push to go public. In fiscal 2026TD, the average ticket size of investment stood at Rs. 1.76 billion.

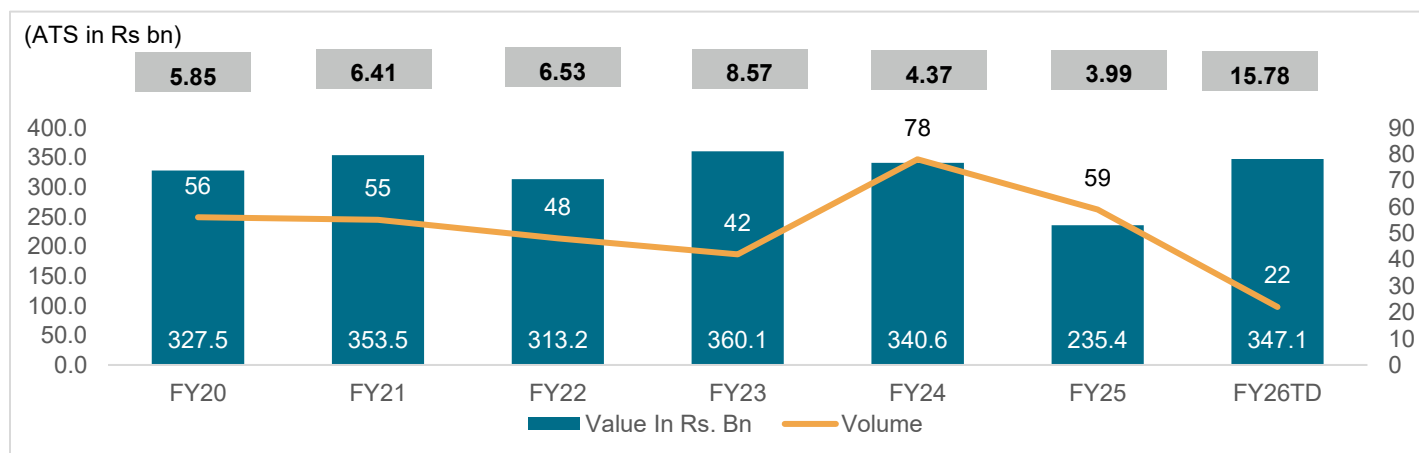


Note: FY26TD:- Data as on 16th Oct 2025. Source: VCCEdge, CRISIL Intelligence

## Public equity

Public equity refers to ownership of shares in a publicly traded company. Public equity is a liquid investment, i.e. investors can easily sell a company's shares on the open market.

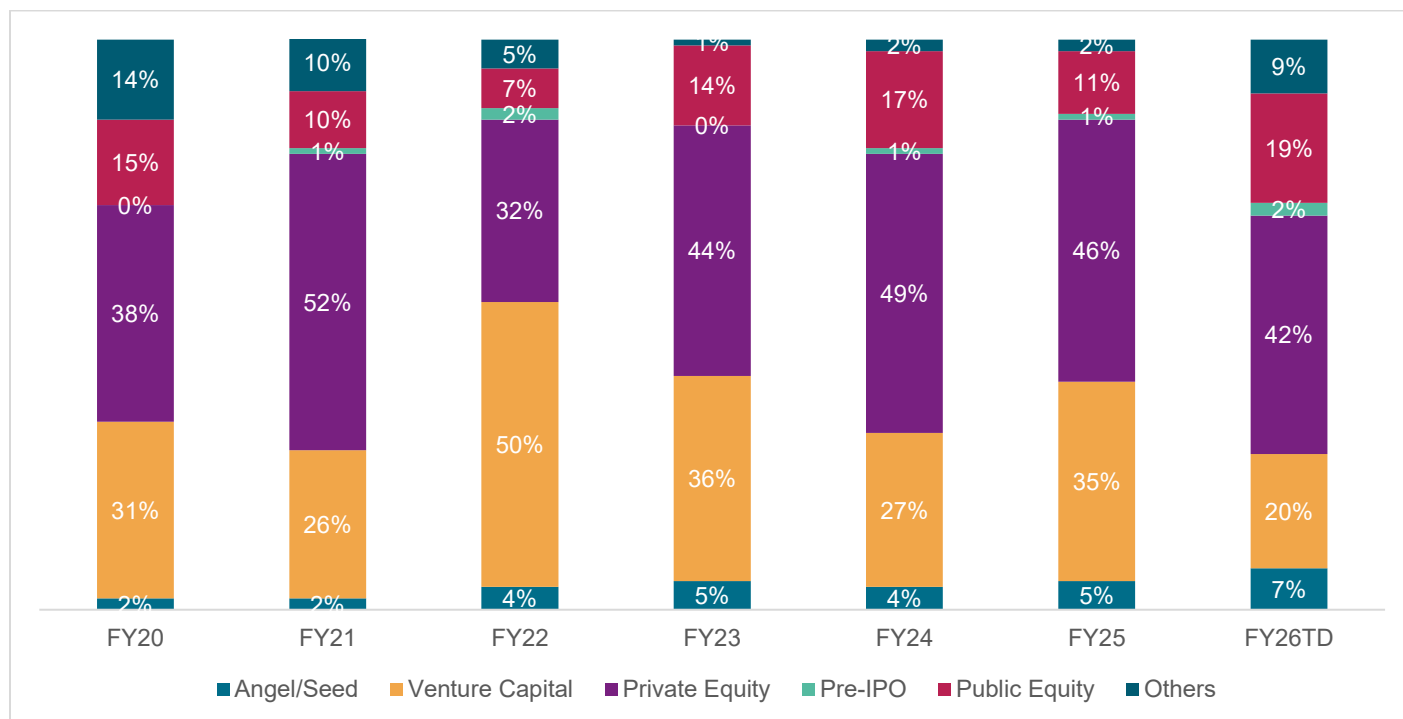
Public equity volume decreased to 59 deals in fiscal 2025 from 78 deals in fiscal 2024. Similarly, the ATS reduced to Rs 3.99 billion from Rs 4.37 billion, owing to a decrease in the value terms by 31% over the period. Public equity volume decreased to 22 deals in fiscal 2026TD from 59 deals in fiscal 2025 but average ticket size has improved to 15.78 billion.



Note: FY26TD:- Data as on 16th Oct 2025. Source: VCCEdge, CRISIL Intelligence

Among deal types, PE dominated in value terms, with a 46% market share in fiscal 2025, followed by VC at 35% and public equity at 11%. On an on-year basis, Angel/Seed and Venture Capital deals in terms of value improved by 1% and 8%, respectively in fiscal 2025 from fiscal 2024.

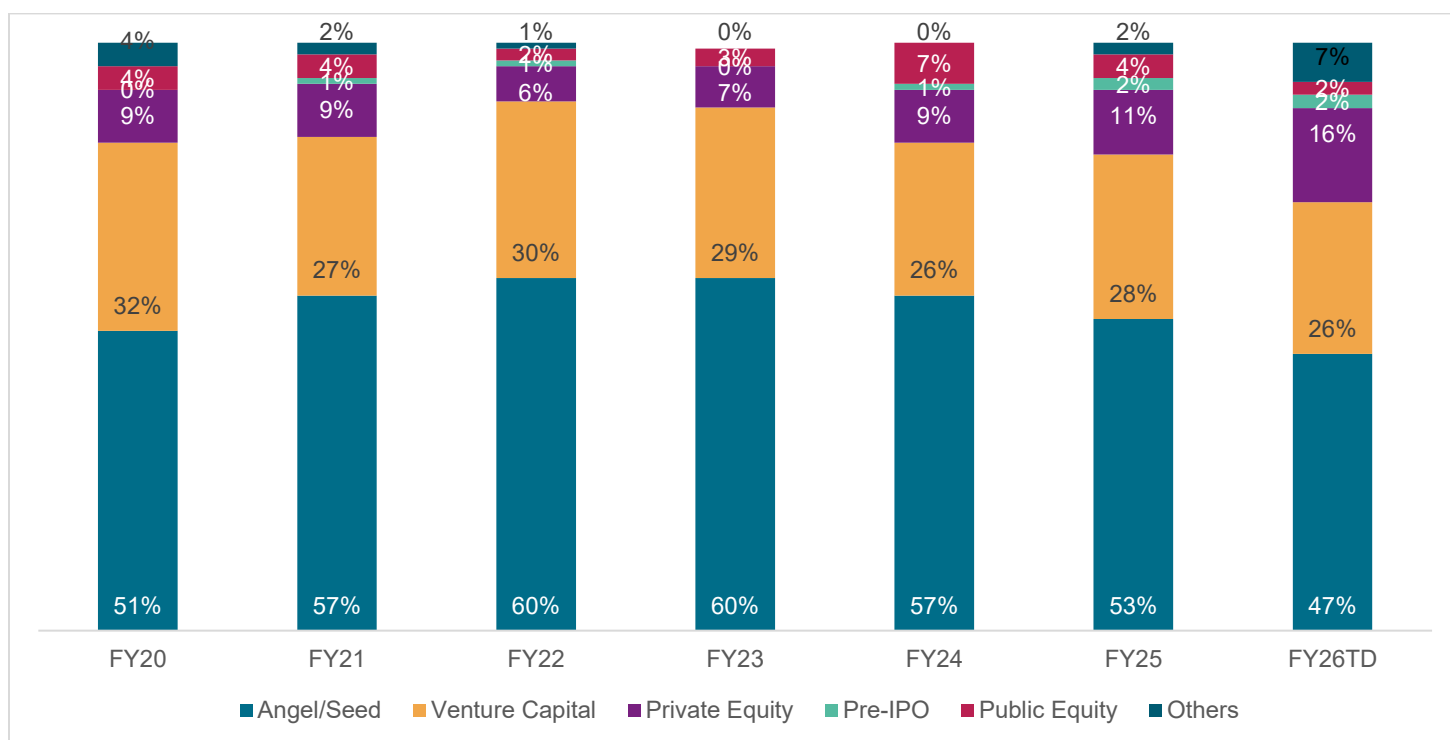
## PE accounts for highest market share in value terms



Note: Others include QIPs, real estate and other private equity investments, FY26TD:- Data as on 16th Oct 2025. Source: VCCEdge, CRISIL Intelligence

In volume terms, Angel/Seed funding remained the most sought after, with its total funding share rising to 53% in fiscal 2025 from 51% in fiscal 2020. This can be linked to a growing Indian startup ecosystem. Conversely, VC deals within the overall deal pie declined to 28% in fiscal 2025 from 32% in fiscal 2020. Private Equity has grown during the same period from 9% to 11%.

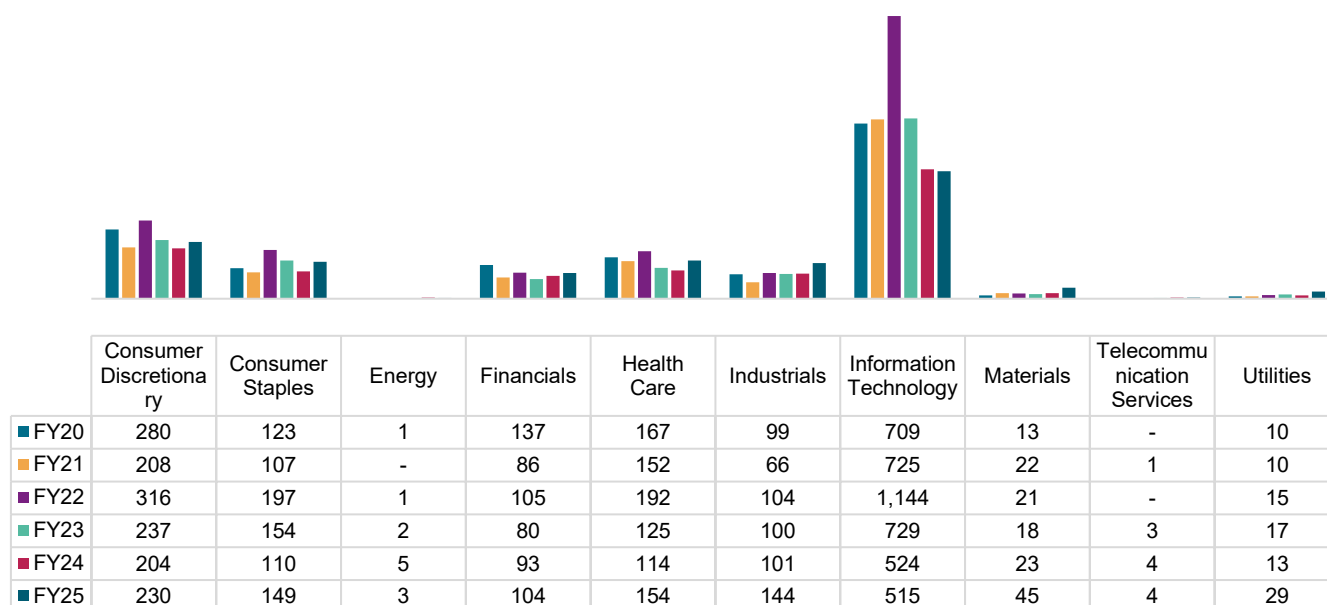
## Angel/seed funding held highest market share across years in volume terms



Note: Others include QIPs, real estate and other private equity investments, FY26TD:- Data as on 16th Oct 2025. Source: VCCEdge, CRISIL Intelligence

### 3.1.4 IT remained the leading recipient of PE investment over 6 years

Over the past 6 years, the information technology (IT) and consumer discretionary sectors secured the maximum deals in volume terms, with IT accounting for 37% share of the total transaction volume in fiscal 2025, followed by consumer discretionary, at 17%.



Source: VCCEdge, Crisil Intelligence

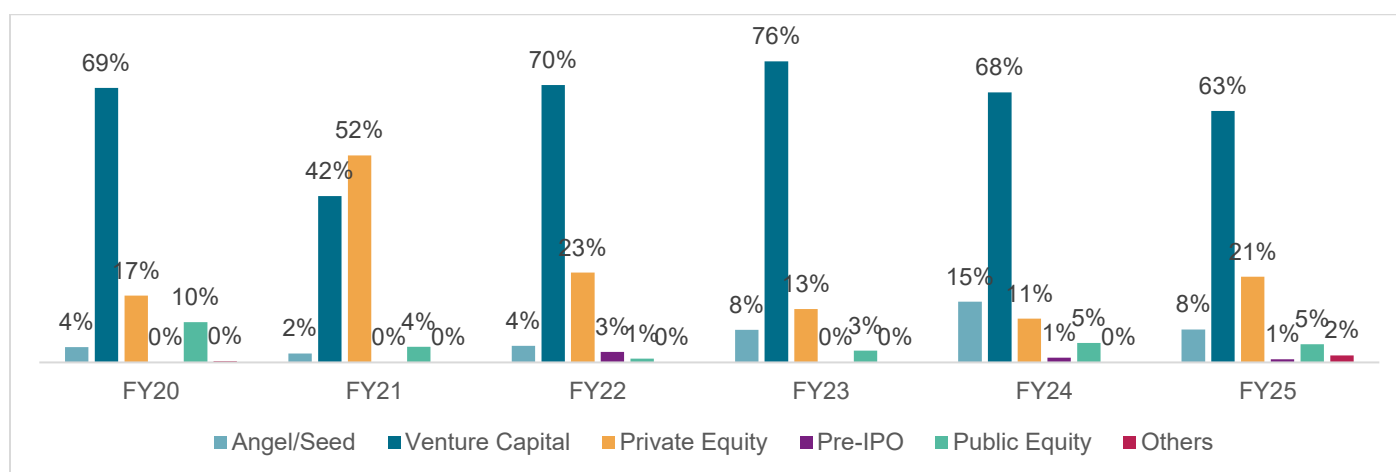
## 3.1.5 IT and consumer discretionary topped deals in value terms over past 6 years

The IT sector's growth has been fuelled by rising adoption of digital technologies. The sector is constantly evolving, with newer technologies and innovations. Companies in this space often require capital to invest in research and development (R&D), acquire new technologies and stay competitive.

In value terms, VC funding comprised the largest share over the years, as VCs are structured to take on higher risk for the potential of higher returns. VCs also provide the necessary capital from time-to-time for R&D, product development as well as strategic guidance and mentorship to help companies' scale.

But as the sector continues to evolve, PE investment firms can also expect to see a steady stream of opportunities to invest in innovative companies and help them scale.

### VC funding comprises largest market share in value terms for funding IT sector startups

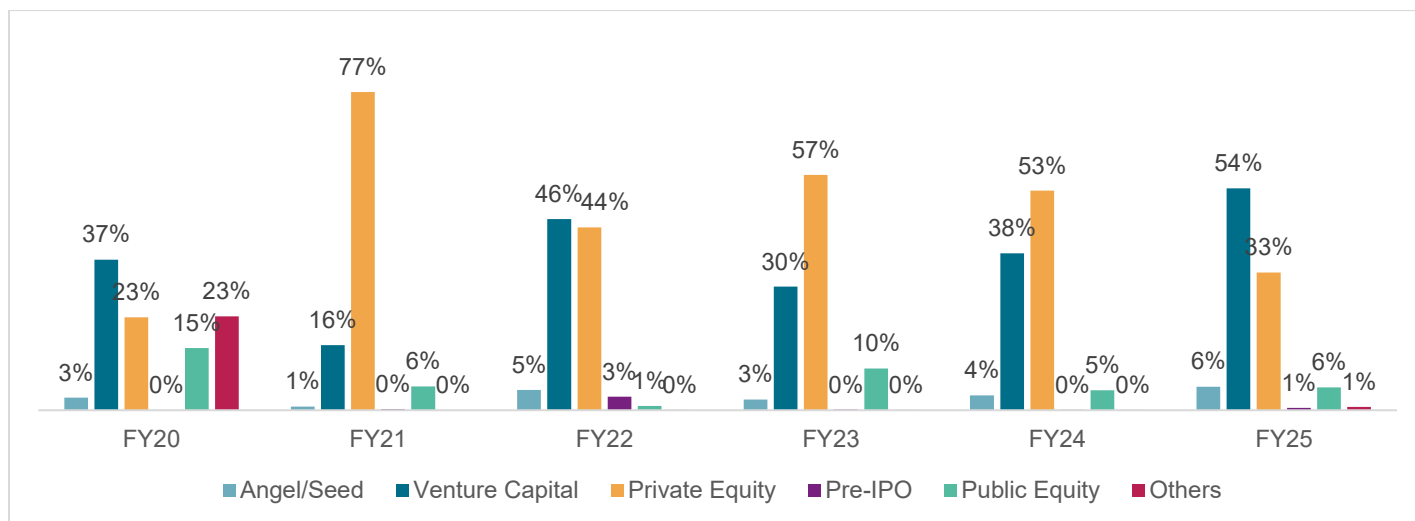


Source: VCCEdge, Crisil Intelligence

While VCs dominate the IT landscape, it is PE and Venture Capital funding that finds appeal among consumer discretionary companies. From fiscal 2020 to 2025 the majority of the deals in this sector in value terms was via PE and Venture Capital.

Overall, there has been a significant uptick in PE deal transactions on the back of positive trends such as rising penetration of e-commerce, changing consumer tastes and rising income levels contributing to increased consumer spending. Also, as consumers increasingly seek tailored experience and unique products, companies within this sector require financial backing to adapt to evolving preferences and remain competitive.

## PE dominates consumer discretionary sector in value terms



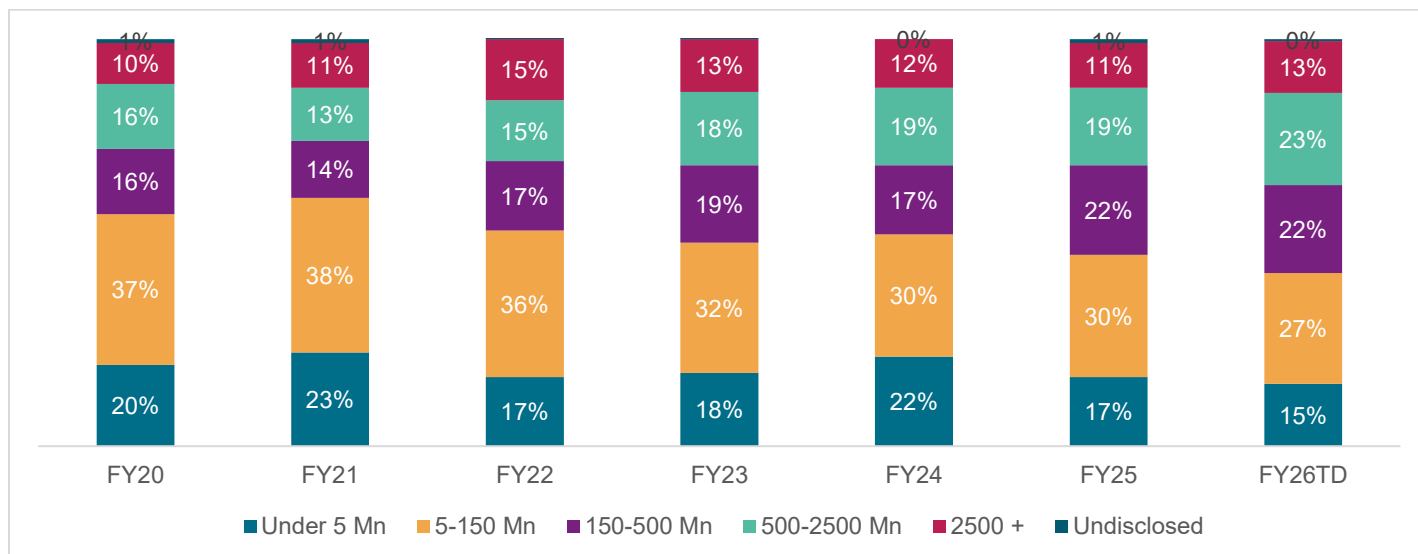
Source: VCCEdge, Crisil Intelligence

## PE firms focusing on larger deals

In fiscal 2025, the share of deal sizes ranging from Rs 150-500 million and Rs. 500- 2500 million increased in volume terms to 22% and 19%, respectively up from 16% each in fiscal 2020, whereas that of ticket sizes below Rs 150 million decreased, with a sharp shrinking in the Rs 5-150 million ticket size, which reduced to 30% from 37% over the period. This indicates that investors are prioritising larger investments in established businesses with stable cash flows.

The mid-market category, comprising deal sizes of ₹500–2,500 million, saw its market share increase to 19% by volume and 14% by value in fiscal 2025, up from 16% and 12% in fiscal 2020, respectively. It is expected that the share of mid-market within PE investments will rise further and at a faster rate. As of fiscal 2026TD, market share of mid-market category stood at 23% as compared to 19% as of fiscal 2025.

## Share of ticket size over Rs 150 million increasing (Volume)

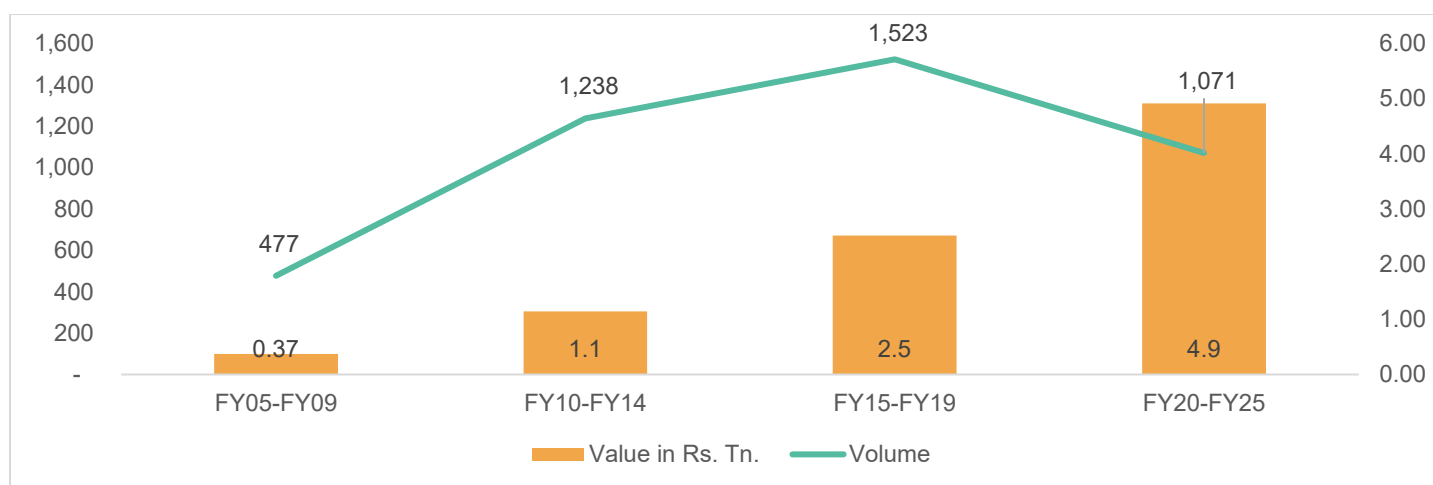


Note: FY26TD:- Data as on 16th Oct 2025, Source: VCCEdge, Crisil Intelligence

### 3.1.6 Sharp increase in deal exits in value and volume terms since fiscal 2005

PE investor exits surged to Rs 4.91 trillion between fiscals 2020 and 2025 from Rs 2.52 trillion during fiscal 2015 to 2019, or ~2x. Also, in fiscal 2025, there were 108 exits totalling Rs 465.0 billion. The exits in value terms rose sharply to Rs 1,204.4 billion in fiscal 2024 from Rs 604.5 billion in fiscal 2023. This significant increase can be credited to strong market conditions and increased liquidity, resulting from a bullish market trend.

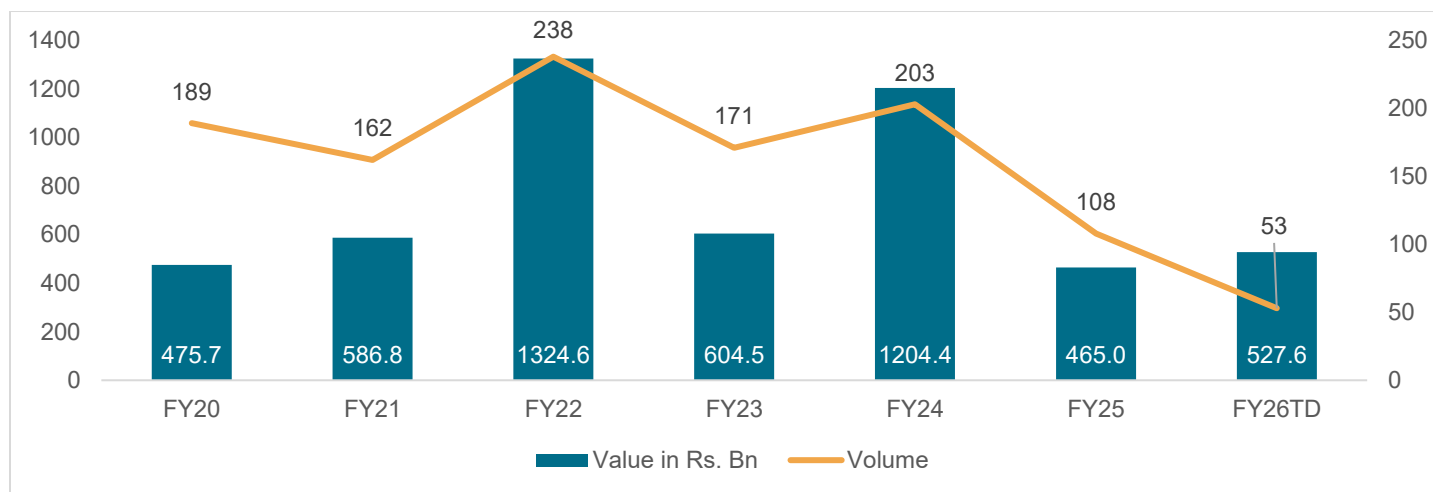
**Deal exits in volume and value terms over 5-year periods**



Note: Exchange rates considered for FY05-FY09, FY10-FY14, FY15-FY19 and FY20-FY25 are 1\$= Rs 44.11, Rs 51.17, 64.73 and Rs 81.66 respectively (average exchange rate of the period)

Source: VCCEdge, Crisil Intelligence

**Deal exits in volume and value terms from fiscal 2020 to fiscal 2025**



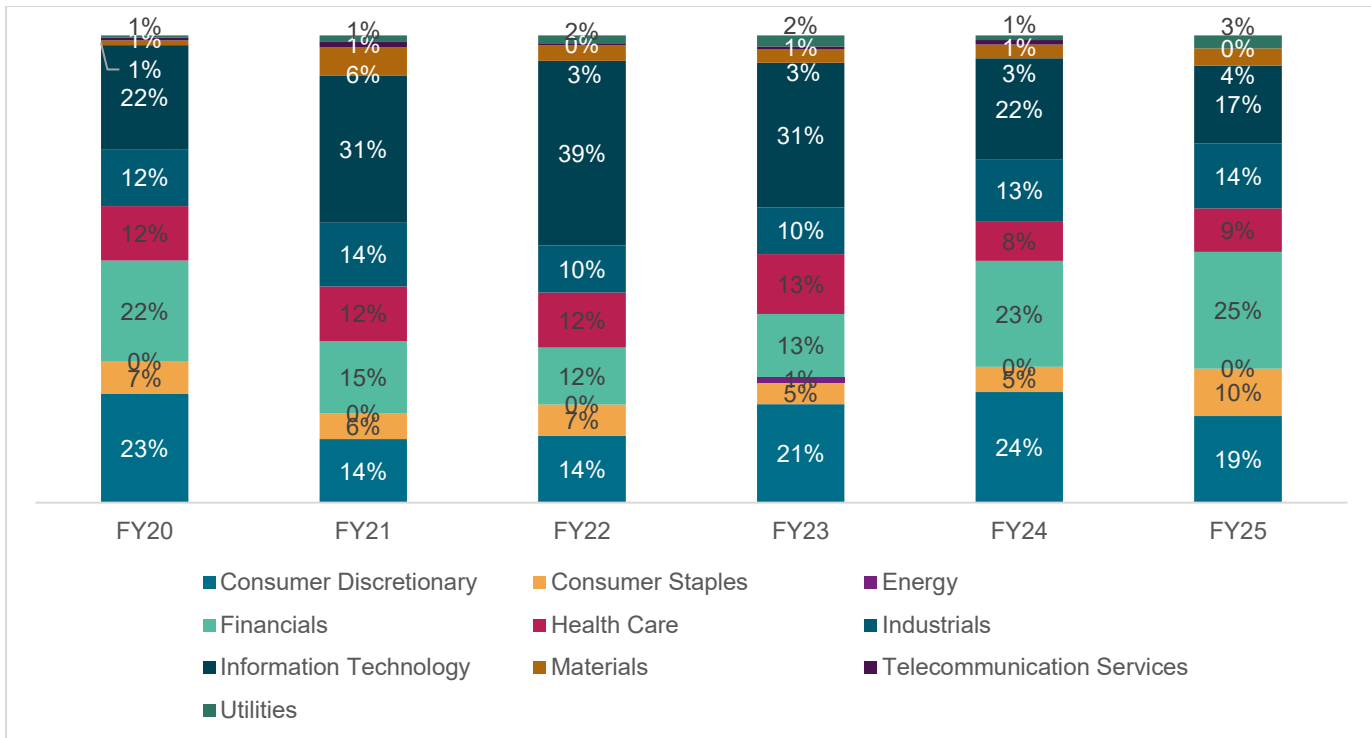
Note: Exchange rate for FY20- FY25 is basis exchange rate as on the deal date, FY26TD:- Data as on 16th Oct 2025

Source: VCCEdge, Crisil Intelligence

Among sectors, the financial space saw the maximum number of PE investment exits in fiscal 2025, followed by consumer discretionary (19%) and IT (17%).



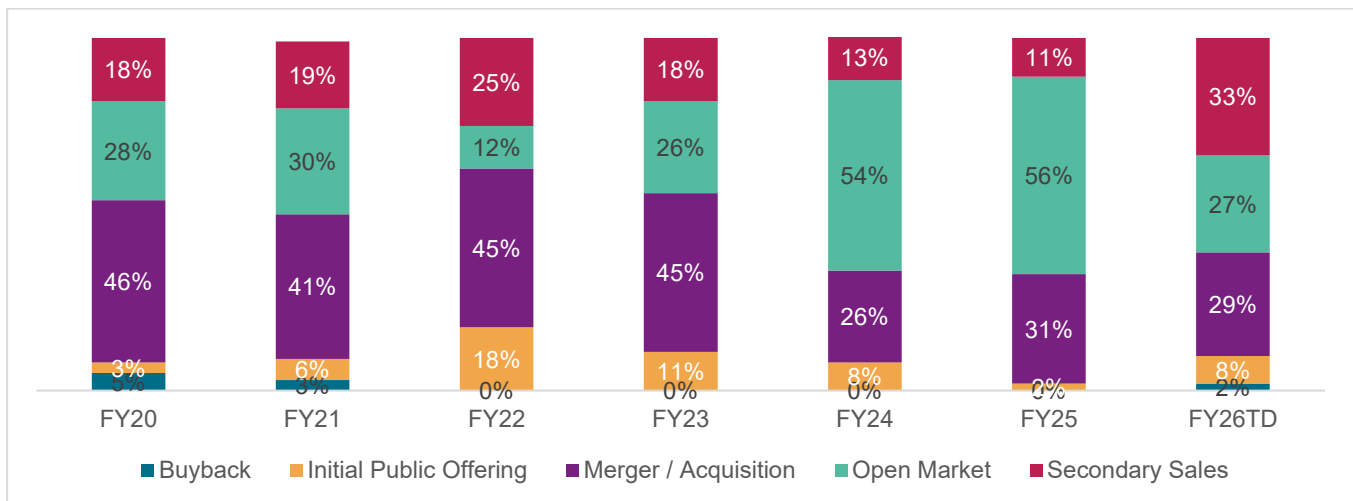
## Financial sector saw maximum PE exits in fiscal 2025



Source: VCCEdge, Crisil Intelligence

The majority of exit volume in fiscal 2025 was via the open market, accounting for a 56% share, followed by mergers / acquisitions at 31% and secondary sales at 11%. The majority of exit volume in fiscal 2026td was via secondary sales, accounting for a 33% share, followed by mergers / acquisitions at 29% and the open market at 27%.

## PE investors preferred open market as primary exit route in fiscal 2024 and fiscal 2025



Note: Share of number of deals exited, FY26TD:- Data as on 16th Oct 2025

Source: VCCEdge, Crisil Intelligence

### 3.1.7 Key growth drivers of PE

**Growth in the Indian economy:** Indian economy's structural growth drivers will continue to support long-term growth. The increasing share of young population and increasing participation of women in the labour force present favourable demographics to drive the consumption growth in the country. India is also expected to maintain a steady supply of skilled labour - enhancing increasing share of services sector as well as supporting growth in service-exports

**Startup ecosystem:** Government initiatives such as Startup India and Make in India have notably promoted entrepreneurial ventures and startups, creating opportunities for PE investors to fund these businesses for growth and expansion.

**Emerging technology ecosystem:** The rapid adoption of technology and digitisation in India has given rise to a thriving technology ecosystem. This has led to the emergence of various tech-enabled businesses that require capital to sustain growth and stay competitive in an ever-evolving technology landscape. Over the years, startups have grown and demonstrated scalability, and PE funds have enabled them to sustain growth. Furthermore, the availability of investment opportunities, talented promoters and a supportive entrepreneurship environment have created new avenues for PE investments. PE investors can capitalise on this trend by investing in startups and businesses that leverage technology to drive innovation and disruption.

**Exit opportunities:** The growth of the Indian stock market and the increasing number of initial public offerings (IPOs) have created attractive exit opportunities for PE investors. This has made India a more attractive destination for PE investments, as investors can now exit their investments through IPOs, mergers and acquisitions, or strategic sales, providing a clear path to liquidity. The Indian stock market has demonstrated significant growth in recent years, driven by a combination of factors such as economic growth, regulatory reforms and increasing investor participation. Notably, there has been a rise in IPO activity by PE/VC-backed startups.

### 3.1.8 Regulatory oversight

The PE industry in India is regulated by two primary authorities: the SEBI and the RBI. SEBI, the primary regulator, regulates AIFs through the SEBI (Alternative Investment Fund) Regulations, 2012. The RBI, on the other hand, regulates foreign investment in PE funds and VC funds through the Foreign Exchange Management Act (FEMA), 1999.

#### SEBI regulations

The SEBI (Alternative Investment Fund) Regulations, 2012, provide a comprehensive framework for the regulation of AIFs in India. Under these regulations, all AIFs are required to register with SEBI before they can accept commitments from investors and commence operations. The regulations also prescribe the eligibility criteria for AIFs, the investment restrictions and the disclosure requirements. PE funds fall under Category II AIFs, which are defined as AIFs that do not undertake borrowings other than to meet day-to-day operational requirements

#### RBI regulations

The RBI regulates foreign investment in PE funds and VC funds through the FEMA, 1999. The FEMA regulations provide framework for the regulation of foreign exchange transactions, including investments in AIFs.

The regulatory bodies have taken various initiatives to support and encourage private equity investments in India. For instance, increase in the foreign direct investment (FDI) limit in the insurance sector from 49% to 74% has hugely boosted PE investments. Similarly, relaxation of FDI norms in other critical sectors, such as e-commerce and pharmaceuticals, has also been instrumental in attracting PE investments.

## 3.2 Secondaries

### 3.2.1 Introduction

Secondaries refer to the sale of existing investments or assets in a PE fund by one investor to another and does not involve the infusion of new capital into the company. PE markets have a ready mechanism where investors can buy and sell their ownership in an equity investment through the stock exchange. In the private market, this exchange is generally done through the secondaries market. PE fund investments by default are long-term in nature, with a typically larger term of the fund. Secondaries provide investors with an opportunity to exit their investments before the fund's maturity date. There are two types of sellers in the secondaries market:

#### Limited partner (LP) sellers

LPs sell their commitment in a fund to a secondary buyer, which results in contractual commitment for future capital and receipt of future distributions being passed on to the secondary buyer, who becomes a new investor in the fund. LPs typically want to sell their holdings for reasons such as liquidity, portfolio rebalance and change in investment strategy.

#### General partner (GP) sellers

GPs can be sellers in the secondaries market as they might be looking to provide liquidity to LPs, or to realise portfolio asset returns as the fund approaches maturity. The GP might want to sell a portfolio asset, if it believes it is the right time to exit the investment and holding the investment for a longer period might not add any additional value against the investment. Sometimes a GP might want to hold on to an asset and provide liquidity to the existing LPs as the existing fund approaches the end of its term. This may be done by setting up a continuation fund and transferring the assets to it. Additionally, to provide liquidity to the existing LPs, GP might sell a portfolio asset to a strategic buyer or another GP (private equity fund/firm). This is one of the important exiting avenues for GPs in India.

### 3.2.2 Secondary fund and its benefits

A secondary fund engages in GP-led secondary transactions. Secondary funds typically acquire investments at a discount and must have a robust valuation process in place.

#### Benefits of secondary fund investments

- **Diversification:** Secondaries allow buyers to gain exposure to a diversified portfolio across multiple strategies, sectors, vintage years, geographies and GPs, potentially reducing risk. Buyers and sellers can use secondaries to manage their portfolios, tailor their exposure to target specific themes or risk profiles.
- **Liquidity:** It refers to the ability to easily buy or sell an interest in a fund without significantly impacting its valuation. LPs may need to exit their investment in a fund before its natural maturity, often due to cash flow requirements or a desire to rebalance their portfolio. Secondary funds provide liquidity to the existing LPs before the end of the fund term.
- **Manage uncertainties:** One of the key advantages of secondary funds is that these offer buyers a high degree of visibility on the underlying fund assets. Secondary funds provide buyers with access to detailed information about the portfolio companies. This includes historical financial performance, track records, and valuations, enabling buyers to make more informed decisions about their investments. With this level of transparency, buyers can better assess the potential risks and returns of the investment, leading to a more confident and informed decision-making process.
- **Better pricing:** Secondary buyers generally acquire PE investments at a discount to their net asset value (NAV) compared with the primary market. Secondaries can provide attractive investment opportunities and potentially enhance overall risk-adjusted returns.

- J curve impact: The J curve phenomenon is a well-known pattern in PE investments, characterised by initial losses or negative returns in the early years, followed by a surge in positive returns as investments mature and value is created. Investing in a secondary fund reduces the J curve impact. Since secondary funds typically acquire existing investments, the initial negative returns have already been absorbed, allowing buyers to enter the investment at a more advanced stage and potentially reap the benefits of the value creation process. This can provide more immediate returns on investment and a smoother cash flow profile.

### 3.2.3 Managing fund exits and role of continuation funds in value creation

VC funds typically have a term life of 8-10 years, during which the GP makes investments, seeks exits and offers suitable returns. The fund aims to exit its investments during the harvesting period or at the end of its tenure. However, in some cases, holding on to investments for a longer period may be more beneficial for value creation. This requires a delicate balance as not all LPs may agree to extend the holding period and may prefer liquidity by the end of the original fund tenure.

As a fund approaches termination, the GP may identify certain assets that require a longer holding period to maximise value. If the GP can convincingly demonstrate this to the LPs, they may request a term extension to continue investing in these assets. However, if an extension is not legally permissible or if most LPs prefer to exit, the GP must prioritise providing liquidity and exits to the investors. To adhere to the terms of the fund and provide liquidity and exits to the investors, the AMC may look for options such as portfolio sale, single asset continuation fund, multi-asset continuation fund.

Portfolio sale refers to the selling of a group of similar investments in a single transaction. A continuation fund is a new investment vehicle created to hold and manage a subset of investments from an existing fund that is nearing or has reached the end of its term. The purpose of a continuation fund is to provide additional time and resources to maximise the value of these investments that may not have reached their full potential or require more investment to achieve their intended returns.

In a continuation fund, the existing assets are transferred from the original fund to the new fund, and the GP continues to manage and oversee them. This allows the GP to maintain control and oversight of the assets, while also providing a fresh investment horizon to optimise their value. LPs are generally given an option to cash out and lock in returns early, or an option to roll over, either fully or partially, into the continuation fund.

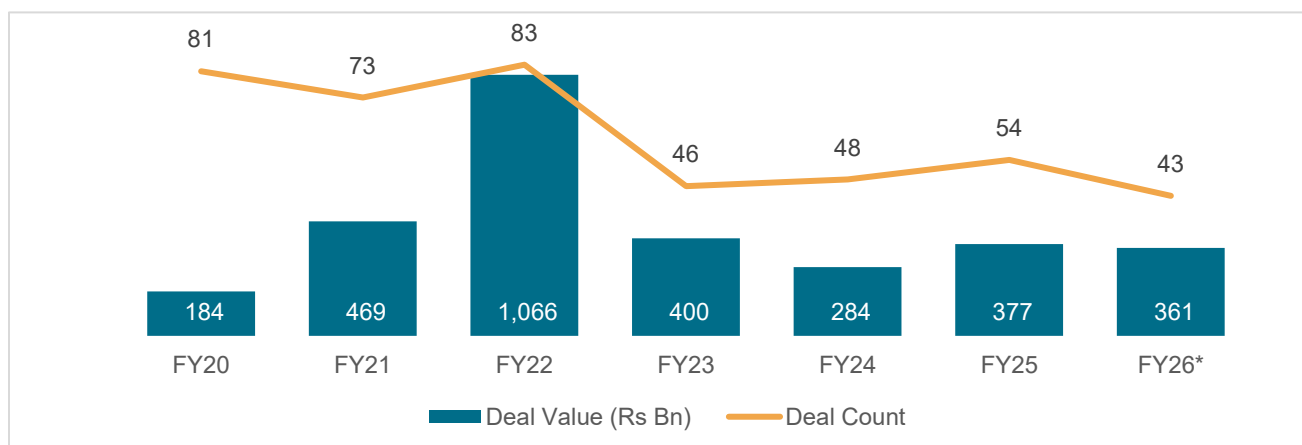
### 3.2.4 Secondaries transactions in India

The secondary<sup>2</sup> deals in India have maintained a steady pace over the past six years, with fiscal 2022 being a notable exception, which saw a high deal value of ~Rs 1,066 billion with an average deal size of Rs 12.84 billion. For fiscal 2025, the total deal value amounts to ~ Rs 377 billion, which is 32% higher than the total deal value of Rs 284 billion in fiscal 2024. In the first half of fiscal 2026, the total deal value reached ~ Rs 361 billion, closely matching the total deal value of the entire fiscal 2025. Notably, the average deal size has increased significantly, multiplying 3.7 times from Rs 2.28 billion per deal in 2020 to Rs 8.39 billion per deal in first half of fiscal 2026.

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<sup>2</sup> Based on data available on VCC Edge, secondary deals include PE, VC, pre-IPO and angel deals, having deal features as secondary or those transactions where both seller and buyer details are available and the seller is a fund, or non-promoter or holding company of the target company.

### Secondary deals



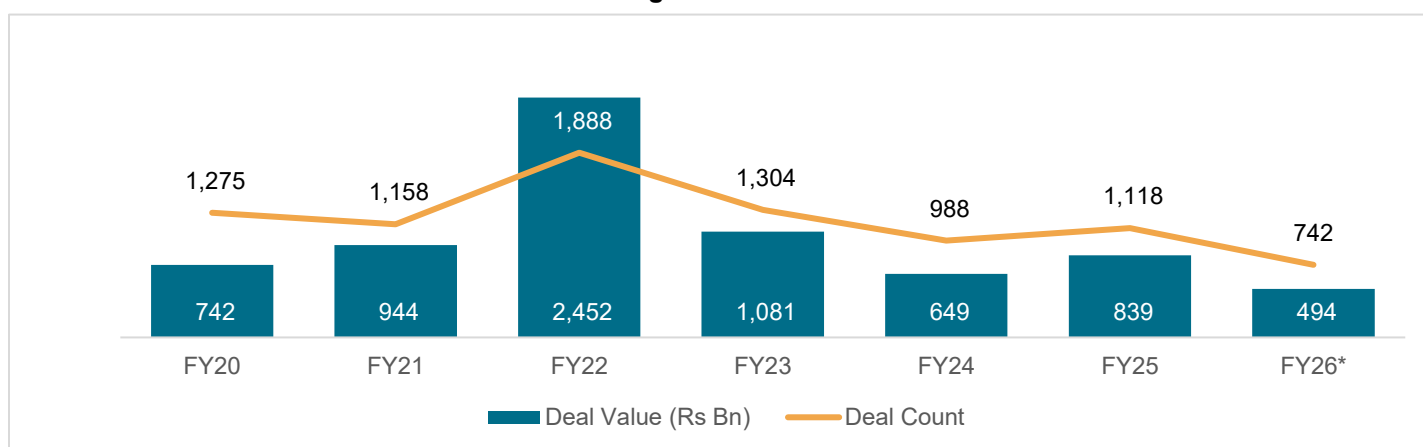
Source: VCC Edge, Crisil Intelligence

\*FY26 data includes data up to September 2025

### 3.2.5 Early-stage investment trend in India, liquidity and potential growth opportunities for secondaries

Early stage<sup>3</sup> deals have recorded a steady uptrend, with more than 8,473 deals taking place between fiscals 2020 and first six months ending September for fiscal 2026. In five of the past six fiscals, the number of deals exceeded 1,000; fiscal 2024 was an exception, at 988 deals. The first six months of fiscal 2026 has witnessed total deal value of Rs 494 billion which is ~59% of the total deal value of fiscal 2025.

### Angel and VC deals



Source: VCC Edge, Crisil Intelligence

\*FY26 data includes data up to September 2025

As the PE and VC markets continue to expand, the focus will increasingly shift to liquidity strategies, enabling fund managers to divest their investments and redistribute capital and profits to their investors. With a typical fund life, PE and VC funds are designed to invest, hold and eventually exit their portfolio companies to generate returns. As the number of deals grows, several investments will soon reach maturity, prompting fund managers to seek exit opportunities. This wave of maturing

<sup>3</sup> Based on data available on VCC Edge, we have considered angel/seed and VC deal type as early-stage deals.

investments along with the increase in number of registered AIFs in the past few years will facilitate buying and selling of existing PE and VC investments, which is expected to unlock a significant opportunities for the secondaries market.

The global secondaries market has evolved into a mature platform, enabling investors to buy and sell the existing PE investments, and has become an important strategy for alternative asset managers worldwide. Similarly, as India's PE and VC landscape continues to evolve, the secondaries market is expected to emerge as a vital component of the ecosystem. Although the secondaries market in India is at a very nascent stage, the growth of private markets and robust start-up ecosystem is expected to support the growth of secondaries in coming years.

## 3.3 Private credit

Private credit, or alternative credit, refers to debt financing provided by non-banking financial institutions, such as AIFs and family offices, to entities, often small and medium enterprises (SMEs). This form of investment involves lending, to businesses or individuals, outside of the traditional banking system.

The private credit industry saw significant growth after the 2008 financial crisis due to stricter capital requirements for banks, which discouraged them from lending to riskier borrowers, creating a demand-supply mismatch. Private credit investments have features of a typical debt instrument, such as tenor, collateral provisions and fixed/floating interest rates.

**Some of the key characteristics are:**

**Debt-based investment:** The investments are in debt form, wherein the lender provides capital to the borrower for regular interest payouts and returns. Collaterals are used as one of the measures to manage counterparty risk. The type of collateral can vary depending on the type and nature of transactions, and generally includes charge over fixed assets, corporate guarantees, charge on sale proceeds, companies' operating cash flow and pledge of shares.

**Illiquid:** Investments are typically illiquid in nature and generally not traded in the secondary market.

**Higher returns:** Since the investments are illiquid and carry some credit risk, they offer higher yields than other traditional fixed income investments.

**Customisation:** Private credit investments can be tailored to meet the specific needs and requirements of lenders as well as borrowers. Returns from the investments can be structured by adding premium at the end of the term and introducing options and warrants. Hence, private credit investments offer more flexible terms than traditional bank loans.

### 3.3.1 Role of AIFs in private credit

AIFs offer a platform for investors to access a broad range of investment opportunities, including venture capital and private equity investments in startups and growth-stage companies, employ diverse strategies to generate returns, make real-estate investments in properties, undertake development projects and work with real-estate investment trusts (REITs), and pursue pre-IPO opportunities and debt investments, including private credit, venture debt and distressed debt.

AIFs have become significant drivers of growth of the private credit market in India. They provide a platform for investors to access attractive investment opportunities, while also enabling borrowers to secure financing from a non-traditional source. AIFs have played a crucial role in the growth of private credit and provide several benefits such as the following:

**Capital availability:** AIFs pool capital from various investors which has increased significantly over the last few years, and this influx of capital has expanded the overall pool of funds available for lending, making it easier for companies to access financing.

**Professionally managed:** Alternative funds often have teams of experienced professionals who specialise in credit analysis and risk management. This expertise allows them to identify and underwrite credit opportunities that may be overlooked by traditional lenders.

**Diverse investment strategies:** AIFs offer a flexible investment structure, allowing them to tailor their investment strategies to specific credit opportunities, including venture debt, distressed debt and special situation investments. Diverse strategies allow the AIFs to cater to the specific needs of the borrowers.

## 3.3.2 AIFs<sup>4</sup> investments in the private credit space

AIFs are generally close-ended in nature, and the AMCs calls for capital from investors in tranches as and when an investment opportunity arises. These are called capital drawdowns. The amount of capital drawn down may vary depending on the fund's needs and the investors' commitments. The returns generated from the portfolio in terms of income is distributed back to the investors along with the initial capital, which is called distribution.

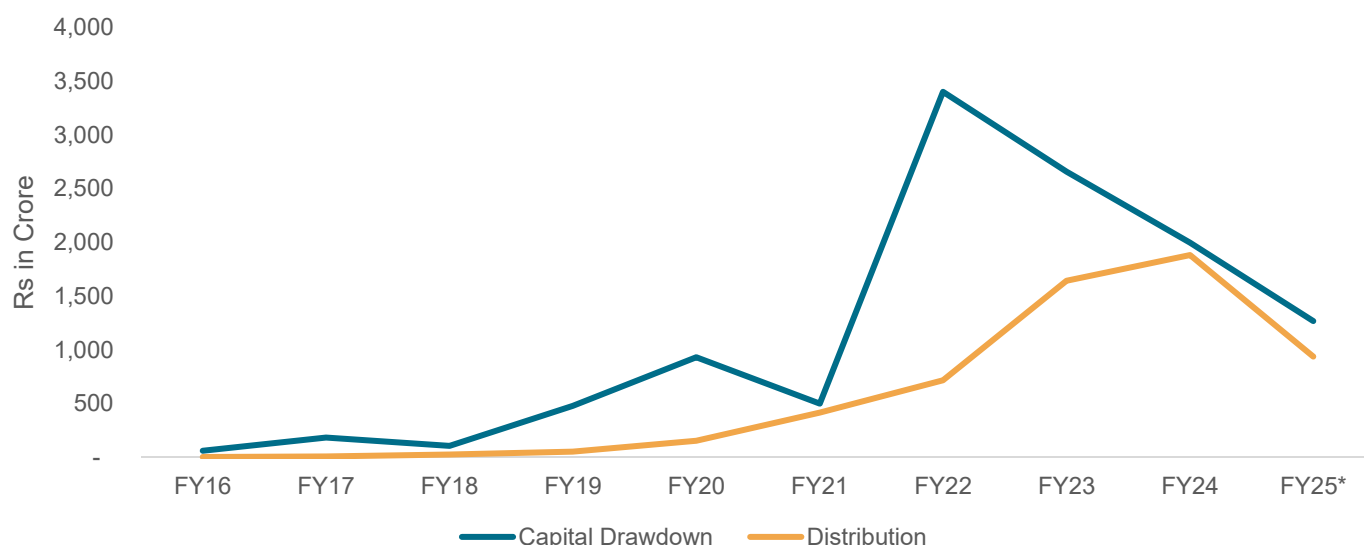
AIFs can invest in private credit opportunities through various strategies, including:

- **Debt funds:** Debt Funds are generally registered under Category II as per SEBI AIF regulations and invest primarily in debt securities of listed or unlisted investee companies based on the fund's stated objectives.

The following table shows the performance of all debt AIFs considered under Crisil AIF benchmarking as of September 2024. In all, 108 schemes across various vintage years were considered. Schemes with at least 75% of their exposure to debt securities have been considered under debt fund. The category includes performing credit funds and high-yield funds. It does not include distressed asset funds and venture debt funds. On an aggregate basis, these funds have generated an IRR of 14.02% between February 2014 and September 2024.

No. of schemes	Pooled IRR (%)	Valuations (in Rs crore)
108	14.02%	57181.74

**Debt funds - Drawdowns vs Distribution**



<sup>4</sup> Source: CRISIL Intelligence

Notes: 1) Values as on September 30, 2024

2) Schemes that have completed at least one year since their first close as on September 30, 2024, have been considered

3) Returns refer to post-expense, pre-carry, pre-tax values

4) Valuations refer to pre-carry valuation numbers

5) Net drawdown refers to total capital drawdown net of any refunds paid back to investors

6) FY 25\* – data is as of September 2024, and is of only those schemes that had their first close between April and September 2023

7) Pooled IRR denotes the IRR calculated at an aggregate level by pooling all the cash flows that have occurred within all the schemes belonging to the category and the vintage year. Here the cash flows are considered according to the date on which they have occurred and the valuation as on the last day is considered as the terminal value for the calculation.

8) Please refer annexure for eligibility criteria



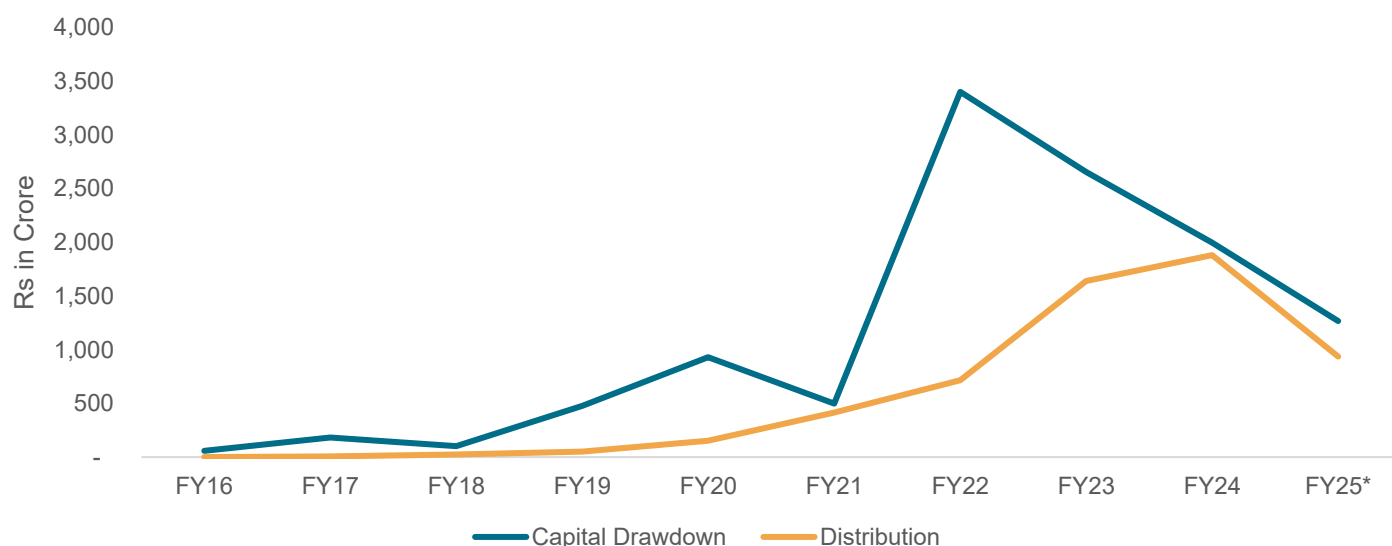
Source: CRISIL Intelligence

- **Venture debt funds:** Venture debt funds are a category II type of AIF that provides debt financing specifically designed for companies that still rely on venture capital investments to fuel their growth and operations. In other words, they provide an additional financing option for startups and early stage companies already backed by VC firms, helping them to bridge funding gaps and achieve their business objectives.

The table below shows the performance of all venture debt AIFs considered under Crisil AIF benchmarking as of September 2024. In all, 12 schemes across various vintage years were considered. On an aggregate basis, these funds have generated an IRR of 14.66%. Schemes that have self-classified themselves as venture debt funds have been considered for calculations.

No. of schemes	Pooled IRR (%)	Valuations (in Rs crore)
12	14.66%	9304.97

### Venture Debt - Drawdowns vs Distribution



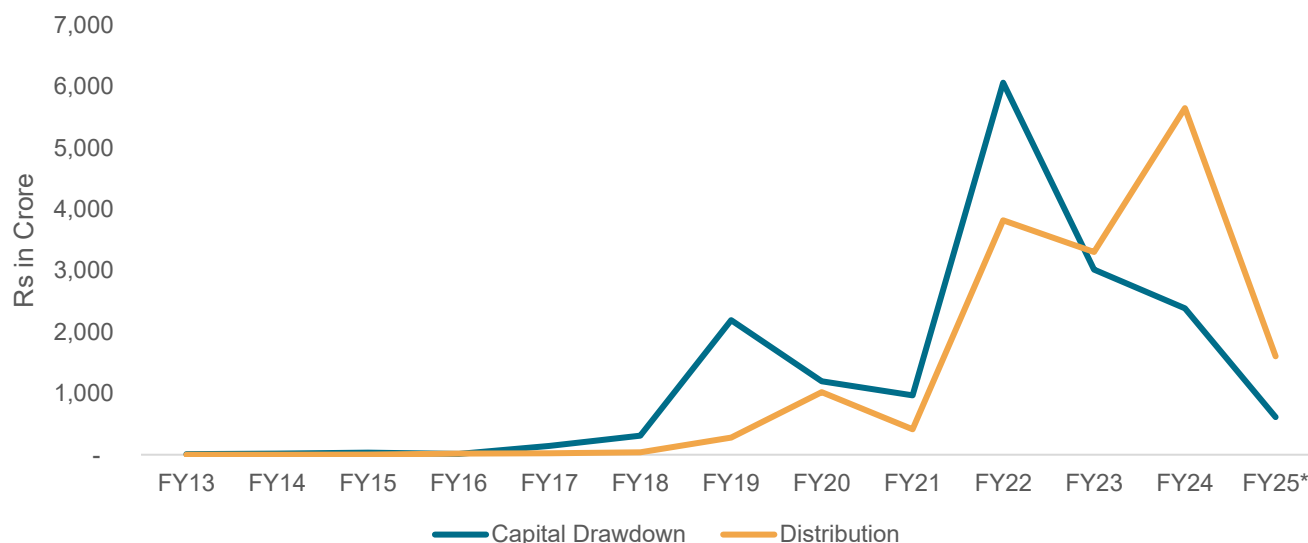
Source: CRISIL Intelligence

- **Distressed asset funds:** Distressed funds include category II AIFs that invest in the assets of companies experiencing financial stress or debt securities experiencing financial difficulties or are in default. This will generally include investments in debt and equity securities issued by companies undergoing insolvency or restructuring, non-performing loans and/or companies with credit facilities in non-performing status. This also includes investments in asset reconstruction companies, acquisition financing for NCLT companies and one-time settlement financing. These funds aim to generate returns by acquiring these assets at a discounted price, restructuring or turning them around, and then selling them for a profit.

The table below shows the performance of all distressed asset AIFs considered under Crisil AIF benchmarking as of September 2024. In all, 21 schemes across various vintage years were considered. Schemes with at least 75% of their exposure to distressed securities have been considered under distressed asset funds. On an aggregate basis, these funds have generated an IRR of 15.60%. between January 2013 and September 2024.

No. of schemes	Pooled IRR (%)	Valuations (in Rs crore.)
21	15.60%	5801.23

#### Distressed fund - Drawdowns vs Distribution



Source: CRISIL Intelligence

### 3.3.3 Private credit – a huge untapped opportunity in the Indian markets

Over the last few years, the traditional financiers such as banks and NBFCs have become risk-averse towards the segment owing to the NBFC liquidity crisis and a fall of some of the renowned corporates in the past. This has created a huge void and opportunity for the private creditors to capitalise and create a niche for them through their experience of structuring the credit, making funds accessible in situations that cannot be funded by banks and NBFCs. In addition, increasing regulatory restrictions on traditional bank lending have made private credit an essential alternative for the corporates to tap into. It provides customised financing for scenarios such as acquisitions, share repurchases, large projects, and support for businesses with lower credit ratings or those aiming to grow without diluting equity. These trends collectively illustrate a shift towards more adaptive, risk-embracing and company-specific financing strategies outside conventional banking. Below are some of the reasons for corporate India to access private credit:

Key points	Remarks and rationale
Regulatory constraints	Banks face stringent regulations on lending for activities such as acquisitions and share repurchases to mitigate systemic risks, leading to more conservative lending approaches.
Project financing	Large, risky projects often bypass traditional bank financing due to their scale and uncertainty. Here, project-specific financing from private sources focuses on the project's cash-flow potential rather than the company's creditworthiness
Preserving ownership	Companies seeking growth capital without diluting equity turn to private credit for patient capital solutions that resemble private equity but without the need for promoters to relinquish control
Revenue-based models	While banks typically require physical assets as security, private credit can leverage a company's revenue for financing, offering repayments aligned with income generation, thus opening the doors for asset-light businesses

Challenges with credit ratings	Mid-sized companies with lower credit ratings find it tough to secure conventional loans or bond financing. Private credit fills this gap, focusing more on the business' operational strengths and future prospects than just its credit score
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Source: CRISIL Intelligence

### 3.3.4 Increasing focus of banks and NBFCs on retail loans has created a huge gap for private credit players to fill in

- **Filling the gap in the wholesale lending market:** Banks and NBFCs are prioritising retail loans due to their lower risk profiles and consistent repayment patterns, especially for sectors such as housing, education, vehicle and personal loans. This shift leaves a gap in the wholesale lending market such as corporate loans, infrastructure loans and other large-scale project financing that private credit is increasingly filling.
- **Opportunities in the underserved segments:** Wholesale loans, particularly for sectors such as infrastructure, real estate and mid-market enterprises, often require customised financing structures that traditional lenders avoid due to stringent capital norms and asset-quality concerns. Private credit funds, with higher risk tolerance and fewer regulatory constraints, are stepping in to meet this demand.
- **Reduced competition in wholesale lending:** With banks and NBFCs reducing their exposure to wholesale lending, private credit funds face less competition from traditional lenders and have greater bargaining power in structuring deals and selling terms.
- **Developing expertise:** Private credit funds are increasingly bringing their sector-specific knowledge and strategic insights, thereby adding value beyond just financing. This expertise is creating opportunities for private credit providers to offer comprehensive financing and strategic solutions to businesses that are navigating complex industries or growth challenges.

### 3.3.5 Growth drivers of the private credit industry in India

We believe that the private debt/credit, particularly from PE firms and AIFs, will grow significantly, driven by several factors such as higher returns, increasing demand for flexible capital solutions and attractive sectoral opportunities.

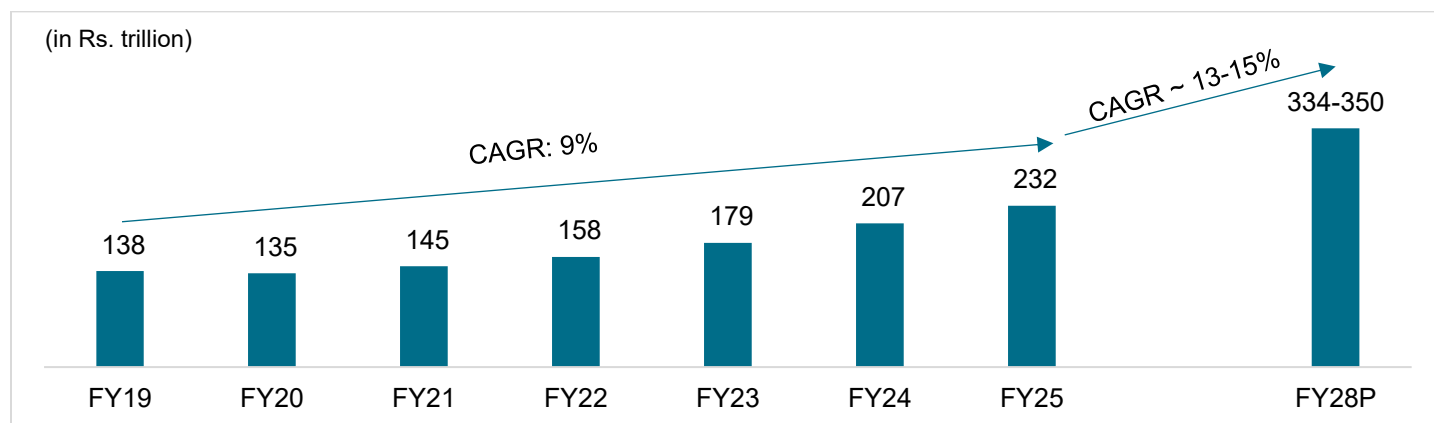
- **Demand for flexible financing solutions:** Private debt from PE firms is more attractive for businesses seeking flexible financing solutions compared with traditional wholesale credit from NBFCs. PE firms provide structured debt (such as mezzanine financing, convertible debt and subordinated loans) tailored to the specific needs of a company. This flexibility is crucial for growth-stage companies, mid-market businesses and distressed assets that may require longer repayment periods, lower interest rates and/or debt that can convert into equity in the future.
- **Attractiveness of high-yielding private debt:** Private debt investments typically offer higher yields compared with NBFC credit. Private debt also occupies seniority in a borrower's capital structure. PE firms often target high-risk or growth-focused sectors such as technology, healthcare, consumer goods and energy. For instance, mezzanine debt or subordinated debt provided by PE firms can yield interest rates of 10-20% or more annually, depending on the borrower's risk profile. These are substantially higher than the typical 6-12% offered by NBFCs on wholesale credit.
- **Sector focus of PE funds:** Funds managed by private equity AMCs are increasingly focusing on high-growth sectors such as technology, fintech, biotech and renewable energy. These sectors promise high returns and offer greater opportunities for PE firms to generate significant value from their debt investments. As these sectors are often capital-intensive and have high growth potential, private debt becomes the preferred capital source. In contrast, NBFCs primarily focus on more traditional sectors such as real estate, infrastructure and MSMEs, which often have lower growth rates compared with emerging sectors such as technology or healthcare.

- **Stricter regulatory environment:** NBFCs are regulated by the central bank (e.g., RBI in India), and their lending activities are subject to capital adequacy requirements and prudential norms that limit their ability to provide riskier, high-return loans. However, private debt firms (PE firms/AIFs) are less regulated and operate in the private markets, allowing them to take on higher-risk investments and offer higher-yielding products to investors and borrowers alike.
- **Investor appetite for high-yielding assets:** Institutional investors, including pension funds, insurance companies and sovereign wealth funds, are increasingly looking for high-yield investments to diversify their portfolios. Private debt funds managed by PE firms are offering attractive risk-adjusted returns in the range of 10-20% IRR, which is highly appealing compared with the more traditional fixed-income assets. This has led to increased capital inflows into private debt funds, which is likely to fuel their growth relative to NBFCs.
- **Increased credit demand from SMEs:** Several SMEs and startups in India are facing challenges in securing financing from traditional banks due to stricter credit norms, high collateral requirements and/or limited risk appetite. Private credit is becoming a go-to solution for such SMEs for availing flexible and customised financing options such as structured finance, mezzanine debt, bridge loans, etc. to meet their credit requirements.
- **IBC framework:** The Insolvency & Bankruptcy Code (IBC) is significantly contributing to the growth of private credit in India by addressing non-performing assets and creating opportunities in distressed asset investments. The time-bound and transparent resolution process under IBC has attracted private credit funds to finance distressed companies and participate in turnaround financing.

### 3.3.6 Overall systemic credit

Corporate credit determines the growth in overall credit as it accounts for nearly two-third of systemic credit. Systemic credit in India grew at a 6-year CAGR of 9% over fiscals 2019 and 2025. Retail credit continues to lead the systemic credit growth in fiscal 2025, supported by the focused approach of banks and NBFCs in increasing the retail portfolio. Going ahead, CRISIL Intelligence projects systemic credit to grow at 13%-15% CAGR between FY25 and FY28.

#### Systemic credit to grow 13-15% between FY25 and FY28



Note: E: Estimated, P: Projected; systemic credit includes domestic banking credit (after deduction of bank lending to NBFC), NBFC credit, commercial papers, external borrowings, corporate bonds excluding those issued by banks and NBFCs.

Source: RBI, company reports, CRISIL Intelligence

### 3.3.7 Non-retail credit growth drivers

**PM Gati Shakti:** PM Gati Shakti is aimed at building next-generation infrastructure to improve the ease of living as well as ease of doing business. Multi-modal connectivity should provide integrated and seamless connectivity for the movement of people, goods and services from one mode of transport to another. It should facilitate last-mile connectivity of infrastructure

and reduce travel time for people. Developments in infrastructure and connectivity are expected to support developments in the real-estate sector in the medium term.

**Infrastructure Debt Fund (IDF):** Providing an additional funding source for infrastructure projects, infrastructure debt funds (IDFs) have tapped private capital pools over the past three years. IDFs essentially act as vehicles for refinancing the existing debt of infrastructure companies, thereby creating headroom for banks to lend to fresh infrastructure projects. IDFs are investment vehicles which can be sponsored by commercial banks and NBFCs in India in which domestic/offshore institutional investors, especially insurance and pension funds, can invest through units and bonds issued by IDFs.

**Introduction of tax-free bonds:** Given the long-term nature of infrastructure projects and their importance to the economy, these projects have primarily been funded by the government through budgetary allocations. Apart from the government, banks and NBFCs have been other large financiers, meeting over a third of the sector's funding needs. NBFCs typically depend on market borrowings, particularly the bond market, to meet their funding requirements, with bond issuances accounting for over three-fourths of their funding mix. The introduction of tax-free bonds by the government has made it easier for these companies to raise funds from the market in recent years.

## 4 Domestic LP ecosystem: Introduction and overview

### 4.1 Introduction to GP and LP

Limited partners (LPs) are investors in the fund, who provide capital but have limited control or involvement in the fund's day-to-day activities. LPs may be institutional investors such as insurance companies, pension funds or family offices and high net worth individuals. LPs' liability is limited to the extent of capital invested in the fund.

General partner (GP) is the active manager and decision-maker responsible for running the operations of the fund. The GP is typically the sponsor or asset manager of the fund.

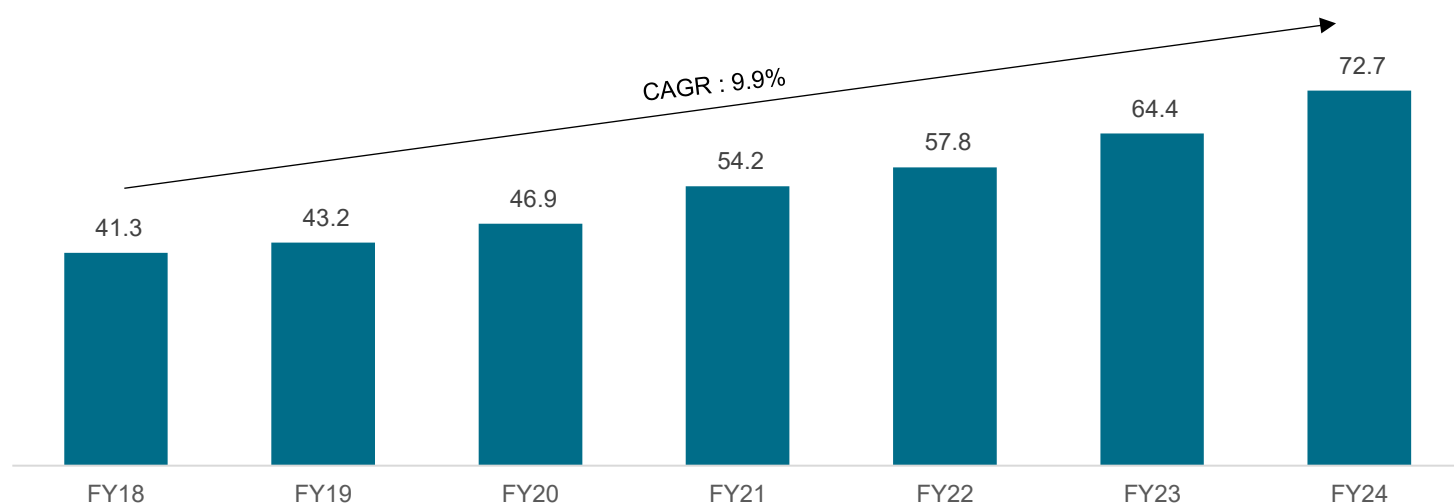
### 4.2 Key domestic institutional investors and their AUM growth

The Banks, Insurance companies, Mutual funds, Employees' Provident Fund Organisation (EPFO), and National Pension System (NPS), are recognised as among the foremost domestic institutional investors within India. These entities significantly contribute to the provision of long-term capital within the economy and facilitate the advancement of capital markets.

#### Banks

The Reserve Bank of India (RBI) is the regulatory body for banks in India, overseeing their operations and ensuring compliance with laws and regulations. RBI sets guidelines and rules for banks' investments, lending, and risk management practices. The total investments under management of the scheduled commercial banks (excluding rural regional banks) have grown at a CAGR of approximately 9.9% over the last six fiscals as of March 2024.

**Banks Investments (Rs lakh crore)**



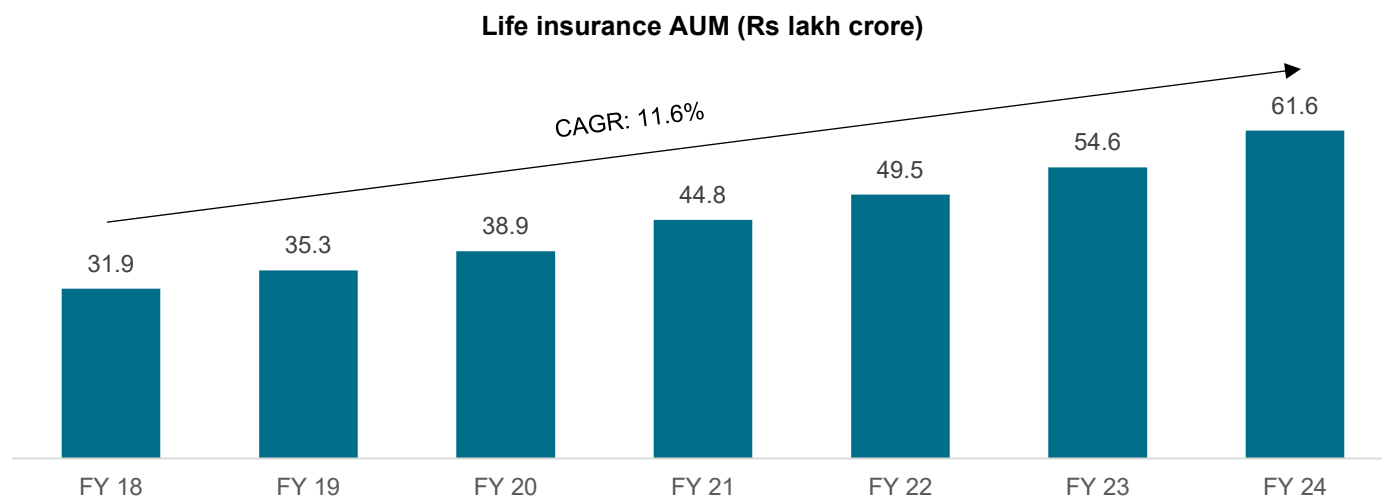
Source: RBI, Crisil Intelligence

RBI issues circulars from time to time, outlining the conditions and guidelines that banks must follow when making investments, including investments in AIFs. As per RBI's Master direction on financial services provided by banks dated August 10, 2021, no bank shall, without the prior approval of RBI, make an investment of more than 10 per cent of the paid-up capital/ unit capital in a Category I / II AIF.

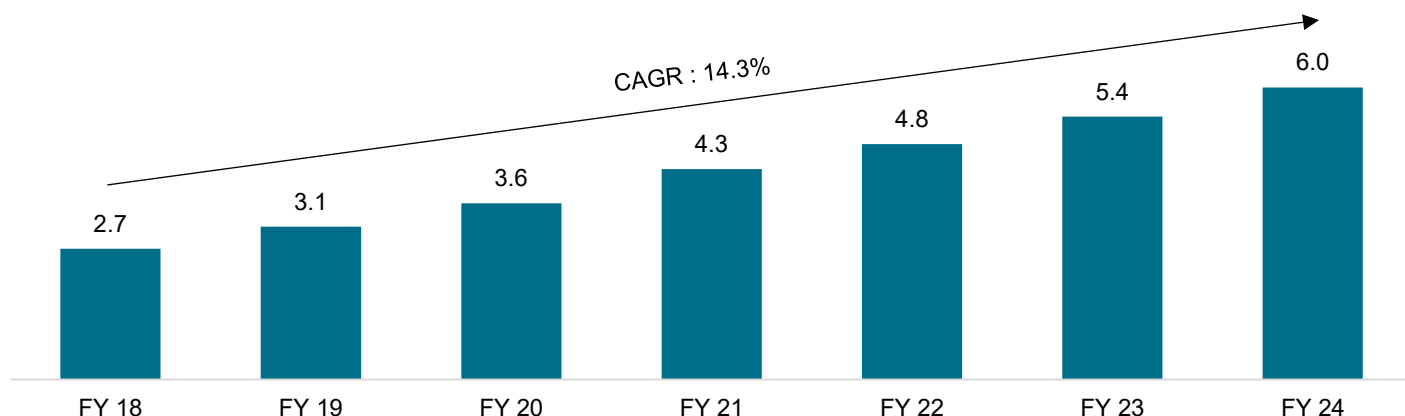
- Based on RBI circulars dated December 2023 and March 2024, Regulated Entities (REs) (including banks) are prohibited from investing in AIF schemes that have direct or indirect downstream investments in a debtor company of the RE. As per these circulars, downstream investments exclude equity shares but include all other investments, such as hybrid investments.
- After reviewing the earlier circulars, the RBI issued the following directives in August 2025, which will come into effect from January 1, 2026, or from any earlier date as decided by the RE as per its internal policy. Existing circulars of December 2023 and March 2024 shall stand repealed from the effective date.
  - No bank can contribute more than 10% of the corpus of an AIF scheme
  - No AIF scheme shall have more than 20% of contributions by all banks
  - If a bank's investment in an AIF exceeds 5% and that AIF has downstream investments (excluding equity) in a company that already owes money to the bank, the bank must set aside 100% provisions proportionate to their investment in that company through the AIF, capped at their direct exposure to the debtor company
  - Downstream investments in Compulsorily Convertible Preference Shares (CCPS) and Compulsorily Convertible Debentures (CCDs) are explicitly treated as equity instruments. Accordingly, no provisioning is required by Regulated Entities (REs) even if the AIF's investment in such instruments exceeds 5% of the scheme corpus and is in a debtor company of the RE.
  - Additionally, for banks investing in subordinated units of AIFs, the entire investment must be deducted from their capital funds, split between Tier 1 and Tier 2 capital, where applicable

## Insurance companies

The Indian insurance sector has demonstrated robust growth with its AUM expanding at a CAGR of approximately 11.8% over the last six fiscals as of March 2024. A breakdown of the sector's AUM growth reveals that the life insurance segment grew at a CAGR of ~11.6%, while the general insurance segment has witnessed a higher growth rate of ~14.3% between fiscals 2018 and 2024.



Source: IRDAI Annual Report, Crisil Intelligence

**General insurance AUM (Rs lakh crore)**

Source: IRDAI Annual Report, Crisil Intelligence

The Insurance Regulatory and Development Authority of India (IRDAI), a statutory body, plays a crucial role in safeguarding the interests of policyholders and promoting the orderly growth of the insurance industry in India. As per the regulations set by the IRDAI, insurance companies are subject to specific investment limits when it comes to venture funds and Alternative Investment Funds (AIFs) under categories I and II. Overall exposure of life insurance companies is limited to 3% of the respective fund size and up to 5% for general insurance companies. In terms of exposure to a single AIF/venture fund, it is 10% of the AIF/venture fund size or 20% of overall exposure, whichever is lower, for both life and general insurers.

**Mutual funds**

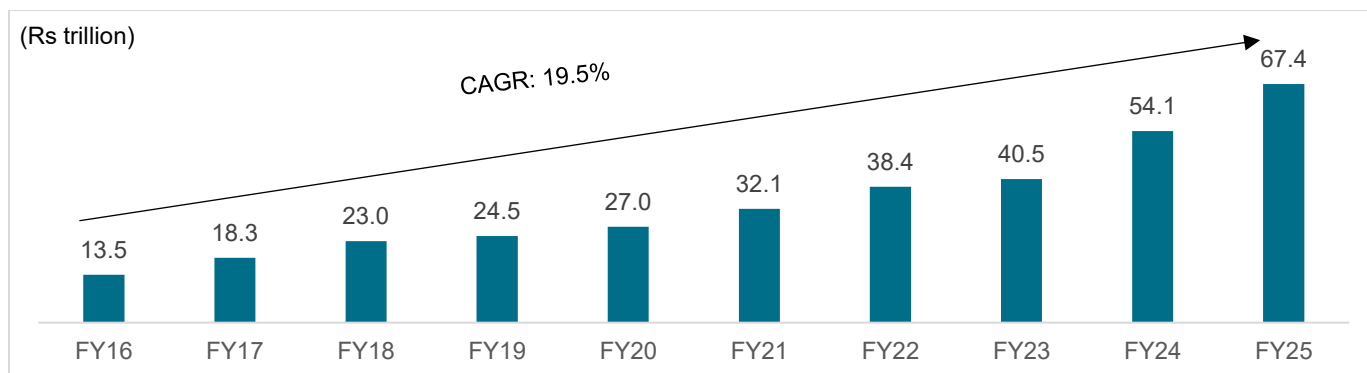
In India, SEBI regulations prohibit mutual funds (MFs) from investing in Alternative Investment Funds (AIFs). MFs are restricted to listed securities for liquidity and transparency, while AIFs involve unlisted, high-risk assets. This ensures MFs maintain a distinct risk profile, protecting investors from AIFs' illiquidity and complexity.

The assets under management (AUM) of the Indian mutual fund industry have grown at a healthy pace over the past few years against the backdrop of an expanding domestic economy, robust inflows and rising investor participation, particularly from individuals. Domestic mutual fund investors have continued to demonstrate confidence in Indian equities.

Average AUMs increased at 19.5% CAGR to reach Rs 67.4 trillion as of March 2025 from Rs 13.5 trillion as of March 2016. The stellar performance of the stock market in fiscal 2025, along with rise in inflows, growth in participation of retail investors and improved macroeconomic conditions drove the growth. The presence of high-net-worth individuals (HNIs) and ultra-high net worth individuals (UHNIs) has seen a notable uptick, marking a shift in the investor demographics of the Indian mutual fund industry. HNIs and retail investors are increasingly becoming key players, with the share of HNIs in mutual fund investments rising from 31.6% in fiscal 2019 to 35.4% in the first half of the current fiscal year.



## Robust growth in Indian mutual fund AUMs between fiscals 2016 and 2025



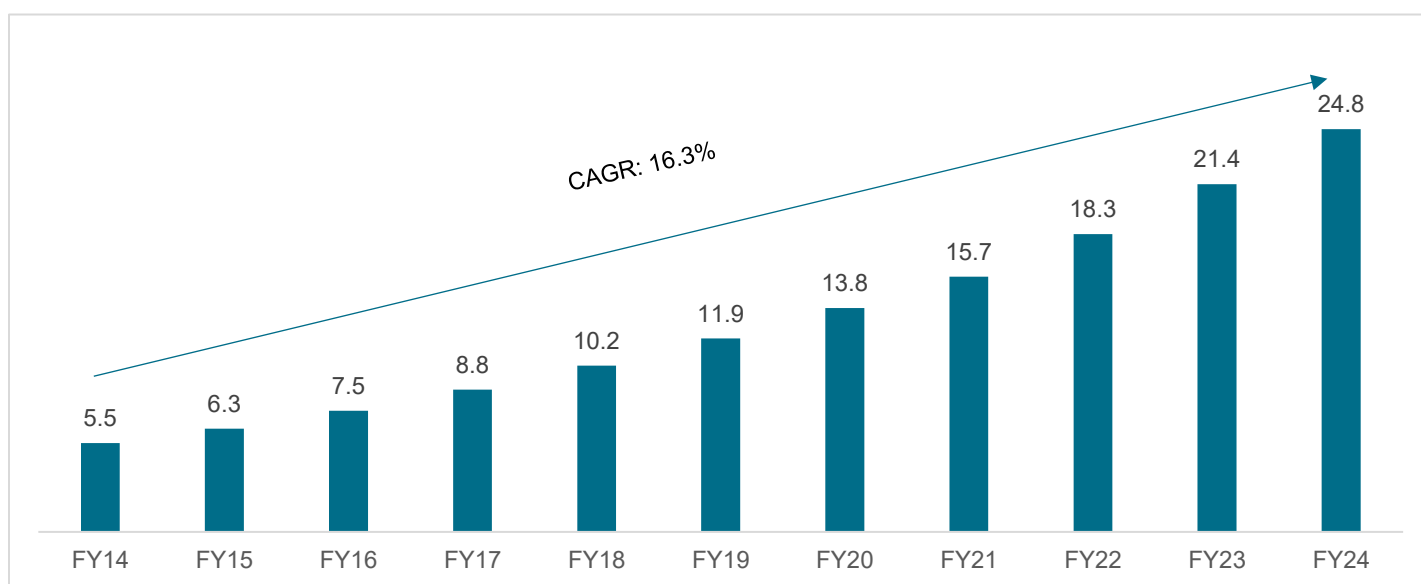
Note: P: Projected; AUM is the average of the last quarter for each fiscal; AUM excluding FoFs – domestic but including FoFs– overseas. Source: AMFI, Crisil Intelligence

## Employees' Provident Fund Organisation (EPFO)

The Employees' Provident Fund Organisation (EPFO) is a statutory body established by the Government of India under the Ministry of Labour and Employment (MOL&E). It is responsible for regulating and managing the provident fund (PF) schemes in India. The primary objective of the EPFO is to provide social security benefits to employees in the organised sector.

The government's initiative to expand the coverage of individuals within the organised space has resulted in a significant increase in the AUM. The EPFO's AUM (excluding Exempted PF) has grown at a CAGR of 16.3% between fiscals 2014 and 2024, with its assets increasing from ~Rs 5.5 lakh crore to ~Rs 24.8 lakh crore during this period.

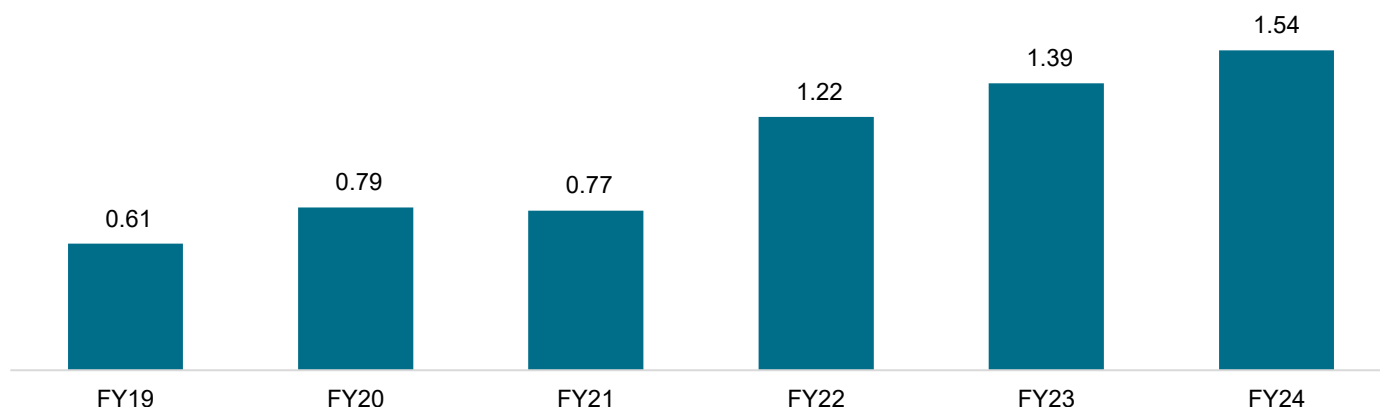
## EPFO Investments (Rs lakh crore)



Source: EPFO Annual Report, Crisil Intelligence

There has also been a net increase in new subscribers to 1.54 crore in fiscal 2024 from 0.61 crore in fiscal 2019.

## Net increase in new subscribers (crore)

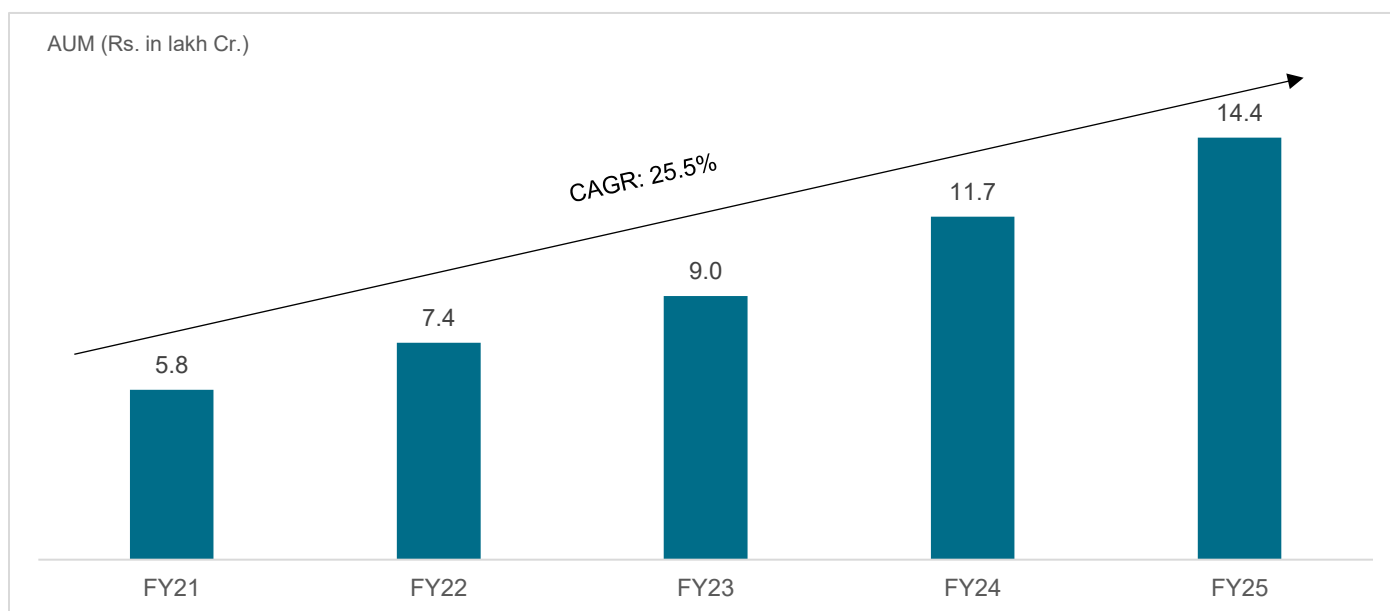


Source: EPFO website, Crisil Intelligence

EPFO's investment guidelines are set by MOL&E which allow them to invest up to 5% of their annual investments in alternative assets, including investment in asset/mortgage-backed securities, units of INVITs/REITs, and category I and II AIFs. As of March, 2025, EPFO has not made any investments in these alternative assets as there is no criteria for minimum investment in this category.

## National Pension Scheme (NPS)

The Pension Fund Regulatory and Development Authority (PFRDA) oversees and manages the National Pension System (NPS) under the PFRDA Act, 2013. The central government launched NPS to assist individuals to have income in the form of pensions to manage their retirement needs. The overall AUM under NPS has more than doubled between fiscals 2021 and 2025 to ~Rs 14.4 lakh crore as of fiscal 2025 from ~Rs 5.8 lakh crore, ~84% of the NPS subscribers base is in the age group of 18 to 40 years as of fiscal 2025, indicating that the subscriber base is relatively young and that the pension liabilities are relatively long.



Source: NPS annual report, Crisil Intelligence

There are two types of accounts that can be opened under the NPS — Tier I and Tier II. The primary distinction between a Tier I and Tier II account lies in their tax benefits and liquidity available to subscribers.

**Tier I account** - This is the permanent retirement account into which the regular contributions made by the subscriber or their employer are credited and invested as per the scheme/fund manager chosen by the subscriber. A Tier I account offers subscribers a tax-saving option, allowing them to avail of tax deductions on their contributions.

**Tier II account** - This is a voluntary/optional withdrawable account which is allowed only if a subscriber has an active Tier I account. The withdrawals are permitted from this account as and when the subscriber requires. A Tier II account does not provide this tax-saving benefit.

As per PFRDA guidelines, investments can be made in category I and II AIFs subject to certain conditions listed below:

- Only AIFs whose corpus is more than Rs 100 crore
- Exposure to a single AIF shall not exceed 10% of the AIF's size
- AIFs which are invested in companies which are incorporated and operated outside of India are not allowed
- Sponsors of AIFs should not be the promoters of the pension fund

Currently NPS has 11 portfolio managers and 4 asset classes. As per the investment guidelines, investments in AIF can be made only under Scheme A of the all-citizen model. The PFRDA guidelines do not permit investment in AIF in other schemes. As per the NPS annual report, NPS portfolio managers had not made any investment in AIF as on March 31, 2025.

## Indian HNIs and UHNIs

India's robust economic and entrepreneurial ecosystem is set to drive a substantial rise in the number of High-Net-Worth Individuals (HNIs) and Ultra-High-Net-Worth Individuals (UHNIs). These affluent individuals have reshaped the country's financial wealth accumulation landscape by diversifying beyond traditional financial instruments into higher yielding investment avenues such as Private equity. They actively engage in the domestic LP ecosystem, primarily through family offices.

### 4.3 Under-penetration in Indian LP ecosystem

The AIF industry in India has been largely driven by foreign investors, while large domestic institutional players have been slow to participate. Domestic institutional players such as the EPFO and NPS have traditionally favoured fixed-income instruments, such as government securities and bonds, owing to their risk-averse nature and because the regulatory framework for AIFs in India was still evolving, which may have contributed to the hesitation of institutional investors to invest in this asset class.

As of March 2025,, there were no investments made by the EPFO and NPS in AIFs. Insurance companies have invested in Category I and Category II AIFs, but the same is below the permissible limit, hence there is a potential for inflows coming from these domestic institutions in the coming years.

### 4.4 Domestic alternatives market as a percentage of professionally managed AUM

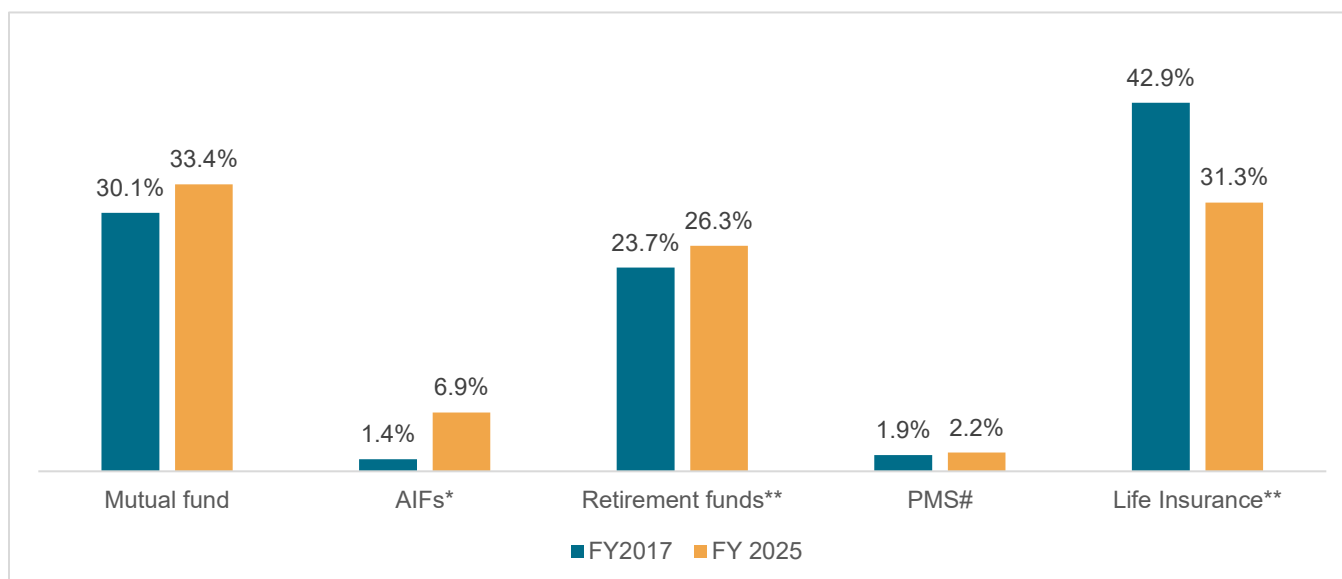
AIF is one of the fastest-growing managed investment products in India. The share of alternative products as represented by the commitment raised, among managed investment products, grew from 1.4%<sup>5</sup> of total AUM of managed investment products in March 2017 to ~6.9% in March 2024. Managed products include life insurance, MFs, retirement funds including pension funds, provident funds (including exempted PF), AIFs and PMS (discretionary AUM).

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<sup>5</sup> Source: AMFI, NPS Trust, EPFO, MoLE, SEBI, IRDAI, CRISIL Intelligence

As of March 2025, the AIF industry's commitment to India's gross domestic product (GDP) stands at 4.08%<sup>6</sup> which is expected to reach around 6%<sup>7</sup> by 2027. This projected growth underscores the increasing importance of AIFs in India's economy and their potential to play a more substantial role in the country's economic development.

## Allocation to different categories of managed products



Note: All managed investments represent AUM as on 31st March of respective years

\*AIFs represent Total Commitments raised as on 31st March of respective years

\*\*Retirement funds represent combined AUM w.r.t NPS, Exempted PF and EPFO numbers. Data for life insurance and retirement funds as of March 2024

#PMS excludes EPFO corpus

Source: Crisil Intelligence

<sup>6</sup> Source: NITI Aayog, SEBI, Crisil Intelligence

<sup>7</sup> Source: CRISIL report 'The big shift in financialisation', December 2022

## 5 Benchmarking against peers from public markets

In this section, Crisil Intelligence has compared the financial performance of peers based on the latest available data for fiscals 2023, 2024, 2025 and H1 fiscal 2026. For analysis, Crisil Intelligence has considered the following listed AMC and wealth management firms: 360 One WAM Ltd (360 One WAM), Aditya Birla Sun Life AMC Ltd (Aditya Birla Sun Life AMC), Anand Rathi Wealth Ltd (Anand Rathi Wealth), HDFC Asset Management Company Ltd (HDFC AMC), Nippon Life India Asset Management Ltd (Nippon AMC), Nuvama Wealth Management Ltd (Nuvama Wealth), UTI Asset Management Company Ltd (UTI AMC) and the company Gaja Alternative Asset Management Ltd (Gaja Alternative Asset Management). Consolidated financials have been considered for the AMCs.

The following KPIs have been considered for benchmarking the peers:

- Total Income
- Profit after tax (PAT)
- PAT Margin
- Return on equity (ROE)
- Net worth
- Borrowing
- Debt to Equity (D/E)
- Cash and cash equivalents
- Total assets
- Cost to Income
- Book value per share

**Gaja Alternative Asset Management reported a total income of Rs 1,233.1 million as of FY25 and Rs 1,103.8 million as of H1 FY26**

Gaja Alternative Asset Management recorded a total income of Rs 1,233.1 million as of FY25.

HDFC AMC had the highest total income among the peer set considered with Rs 23,247.5 million during H1 FY26, followed by Nuvama Wealth (Rs 22,625.4 million).

### Total income

Total income (Rs million)	FY23	FY24	FY25	H1 FY26
Gaja Alternative Asset Management	1,136.3	1,039.6	1,233.1	1,103.8
360 One WAM	20,615.4	29,247.3	36,843.9	20,875.6
Aditya Birla Sun Life AMC	13,537.0	16,405.8	19,858.2	10,717.4
Anand Rathi Wealth	5,589.1	7,519.7	9,806.5	5,914.4
HDFC AMC	24,826.6	31,633.9	40,601.0	23,247.5

Nippon Life AMC	15,166.1	20,373.4	25,207.2	14,473.2
Nuvama Wealth	22,303.9	31,577.2	41,693.0	22,625.4
UTI AMC	12,900.9	17,439.3	18,599.4	9,688.6

Note: N.A. – Not available; Players have been arranged in no particular order in each of the parameters; Source: Company reports, Crisil Intelligence

### Gaja Alternative Asset Management reported CAGR of 22.5% in PAT between fiscals 2023 and 2025

Gaja Alternative Asset Management reported a PAT of Rs 619.5 million in FY25 and clocked a CAGR of 22.5% between fiscals 2023 and 2025. Nuvama Wealth reported the highest CAGR at 79.7%, followed by UTI AMC (36.0%) during the same period. As of H1 fiscal 2026, Gaja Alternative Asset Management reported a PAT of Rs 620.9 million.

#### Profit after tax

PAT (in Rs million)	FY23	FY24	FY25	H1 FY26	CAGR (FY23-FY25)
Gaja Alternative Asset Management	412.6	447.4	619.5	620.9	22.5%
360 One WAM	6,578.9	8,042.1	10,153.0	6,001.5	24.2%
Aditya Birla Sun Life AMC	5,963.8	7,803.6	9,306.0	5,184.3	24.9%
Anand Rathie Wealth	1,686.0	2,258.2	3,007.9	1,938.1	33.6%
HDFC AMC	14,233.7	19,426.9	24,601.9	14,659.8	31.5%
Nippon Life AMC	7,233.3	11,073.2	12,863.9	7,407.6	33.4%
Nuvama Wealth	3,050.7	6,248.4	9,850.6	5,178.5	79.7%
UTI AMC	4,396.8	8,020.3	8,129.6	3,860.6	36.0%

Note: N.A. – Not Available; Average of peers considered excluding Gaja, Source: Company reports, Crisil Intelligence.

### Gaja Alternative Asset Management's PAT margin improved significantly over fiscals 2023-2025 with PAT margin higher than most of the peers considered.

Gaja Alternative Asset Management saw the largest increase in PAT margin, of 13.9%, between fiscals 2023 and 2025, followed by Nuvama Wealth (9.9%) and UTI AMC (9.6%).

#### PAT Margin

Players	PAT Margin (%)			
	FY23	FY24	FY25	H1 FY26
Gaja Alternative Asset Management	36.3%	43.0%	50.2%	56.3%
360 One WAM	31.9%	27.5%	27.6%	28.7%
Aditya Birla Sun Life AMC	44.1%	47.6%	46.9%	48.4%
Anand Rathie Wealth	30.2%	30.0%	30.7%	32.8%
HDFC AMC	57.3%	61.4%	60.6%	63.1%
Nippon Life AMC	47.7%	54.4%	51.0%	51.2%
Nuvama Wealth	13.7%	19.8%	23.6%	22.9%
UTI AMC	34.1%	46.0%	43.7%	39.5%
<b>Average of peers considered</b>	<b>37.0%</b>	<b>41.0%</b>	<b>40.6%</b>	<b>40.9%</b>

Note: N.A. – Not Available; Average of peers considered excluding Gaja, Source: Company reports, Crisil Intelligence

**Gaja Alternative Asset Management clocked a Return on Equity (RoE) of 17.0% as of fiscal 2025 and 25.5% as of H1 fiscal 2026.**

Gaja Alternative Asset Management clocked a RoE of 17.0%, while Anand Rathii Wealth outpaced peers with the highest RoE of 44.6%, followed by HDFC AMC at 32.4% and Nippon Life AMC at 31.4%.

#### Return on Equity

Players	RoE (%)			
	FY23	FY24	FY25	H1 FY26
Gaja Alternative Asset Management	15.4%	14.4%	17.0%	25.5%
360 ONE WAM	21.4%	24.5%	19.3%	14.6%
Aditya Birla Sun Life AMC	25.3%	27.4%	27.0%	28.4%
Anand Rathii Wealth	40.4%	39.6%	44.6%	51.3%
HDFC AMC	24.5%	29.5%	32.4%	36.9%
Nippon Life AMC	20.7%	29.5%	31.4%	34.5%
Nuvama Wealth	14.6%	24.2%	30.8%	28.4%
UTI AMC	11.7%	18.1%	16.0%	15.3%
<b>Average of peers considered</b>	<b>22.7%</b>	<b>27.5%</b>	<b>28.8%</b>	<b>29.9%</b>

Note: N.A. – Not Available; Annualised Numbers. Average of peers considered excluding Gaja, Source: Company reports, Crisil Intelligence

**Gaja Alternative Asset Management had among the lowest borrowings in the peer group, with the lowest debt-to-equity ratio in fiscal year 2025**

Gaja Alternative Asset Management reported a net worth of Rs 3,934.6 million as of fiscal 2025. Gaja Alternative Asset Management closed fiscal 2025 with borrowings of Rs 40.0 million which is among the lowest in the peer set. Its debt-to-equity ratio was also among the lowest in the fiscal 2025. The ratio stood at 2.22x for Nuvama Wealth and 1.6x for 360 One WAM in fiscal 2025.

#### Total Net worth and Borrowings

Players	Net worth (in Rs million)				Total Borrowings (in Rs million)			
	FY23	FY24	FY25	H1 FY26	FY23	FY24	FY25	H1 FY26
Gaja Alternative Asset Management	2,892.0	3,339.5	3,934.6	5,809.0	42.4	35.1	40.0	408.8
360 One WAM	31,219.5	34,497.3	70,651.2	93,487.6	67,472.9	94,110.6	1,10,947.4	1,35,516.3
Aditya Birla Sun Life AMC	25,169.9	31,688.8	37,268.7	35,641.5	-	-	-	-
Anand Rathii Wealth	4,800.9	6,615.5	6,876.3	8,230.0	168.2	84.9	218.5	195.7
HDFC AMC	61,078.2	70,750.1	81,299.9	77,412.9	-	-	-	-
Nippon Life AMC	35,156.3	39,821.8	42,129.2	43,834.1	-	-	-	-
Nuvama Wealth	22,588.0	28,988.6	34,931.1	37,924.3	54,131.5	67,457.0	78,388.3	89,758.5

Players	Net worth (in Rs million)				Total Borrowings (in Rs million)			
	FY23	FY24	FY25	H1 FY26	FY23	FY24	FY25	H1 FY26
UTI AMC	38,678.4	49,732.1	51,603.3	49,285.7	-	-	-	-

Note: N.A. – Not Available; Borrowings include debt securities, borrowings other than debt securities, subordinated liabilities and short-term debts;  
Source: Company reports, Crisil Intelligence

### Debt-to-Equity Ratio

Players	Debt-to-Equity (in times)			
	FY23	FY24	FY25	H1 FY26
Gaja Alternative Asset Management	0.01	0.01	0.01	0.07
360 One WAM	2.16	2.73	1.6	1.45
Aditya Birla Sun Life AMC	-	-	-	-
Anand Rathie Wealth	0.04	0.01	0.03	0.02
HDFC AMC	-	-	-	-
Nippon Life AMC	-	-	-	-
Nuvama Wealth	2.40	2.33	2.22	2.37
UTI AMC	-	-	-	-
<b>Average of peers considered</b>	<b>1.53</b>	<b>1.69</b>	<b>1.28</b>	<b>1.28</b>

Note: N.A. – Not Available; (-) not applicable; Average of peers considered excluding Gaja, Source: Company reports, Crisil Intelligence.

### Gaja Alternative Asset Management's cash and cash equivalents totalled Rs 252.8 million in fiscal 2025

Gaja Alternative Asset Management closed fiscal 2025 with cash and cash equivalents of Rs 252.8 million. 360 ONE WAM reported the highest number among the peer set, with cash and cash equivalents of Rs 7,401.9 million, followed by Nuvama Wealth (Rs 5,325.8 million) and UTI AMC (Rs 2,567.9 million).

For H1 FY26, 360 ONE WAM reported the highest cash and cash equivalents among the peer set, at Rs 5,689.0 million, followed by Nuvama Wealth (Rs 2,417.8 million) and UTI AMC (Rs 1,602.5 million).

### Cash and Cash Equivalents

Cash and Cash Equivalents (in Rs million)	FY23	FY24	FY25	H1 FY26
Gaja Alternative Asset Management	116.3	237.0	252.8	918.0
360 One WAM	5,094.9	4,427.4	7,401.9	5,689.0
Aditya Birla Sun Life AMC	336.1	391.0	436.8	482.3
Anand Rathie Wealth	647.6	331.1	440.7	921.9
HDFC AMC	44.6	103.3	121.3	384.2
Nippon Life AMC	212.6	242.3	265.5	122.4
Nuvama Wealth	7,882.0	3,666.3	5,325.8	2,417.8
UTI AMC	2,094.5	1,509.0	2,567.9	1,602.5

Note: N.A. – Not Available; Source: Company reports, Crisil Intelligence



## Gaja Alternative Asset Management's total assets stood at Rs 4,518.7 million in fiscal 2025 and Rs 6,770.9 million in H1 fiscal 2026

Gaja Alternative Asset Management reported total assets of Rs 4.5 billion as of fiscal 2025. Nuvama Wealth closed fiscal 2025 with the highest total assets among the peer set, at Rs 283.9 billion, followed by 360 ONE WAM (Rs 197.7 billion) and HDFC AMC (Rs 87.5 billion).

### Total Assets

Total Assets (in Rs million)	FY23	FY24	FY25	H1 FY26
Gaja Alternative Asset Management	3,398.2	3,886.0	4,518.7	6,770.9
360 One WAM	111,920.6	151,188.5	1,97,687.0	242,647.4
Aditya Birla Sun Life AMC	27,881.2	35,018.5	41,144.3	39,548.4
Anand Rathie Wealth	6,241.2	8,797.4	9,613.6	11,197.1
HDFC AMC	65,361.4	75,538.5	87,506.6	84,335.8
Nippon Life AMC	38,609.1	43,750.4	46,701.4	48,917.3
Nuvama Wealth	127,156.8	203,869.3	2,83,876.3	2,42,562.0
UTI AMC	41,749.3	53,410.2	56,584.1	54,353.0

Note: N.A. – Not Available; Source: Company reports, Crisil Intelligence

## Gaja Alternative Asset Management logged cost to income ratio of 38% in H1 FY26, which was better than peer average

The company reported a cost-to-income ratio of 38% for H1 fiscal 2026, which was better than the peer average.

As of fiscal 2025, HDFC AMC reported the lowest cost-to-income ratio among the peer set considered, at 19%, followed by Nippon Life AMC at 33% and Aditya Birla Sun Life AMC at 37%.

As of H1 fiscal 2026, HDFC AMC reported the lowest cost-to-income ratio among the peer set considered, at 20%, followed by Nippon Life AMC at 32%, Aditya Birla Sun Life AMC at 36% and Gaja Alternative Asset Management at 38%.

### Cost-to-income ratio

Players	Cost-to-Income (in %)			
	FY23	FY24	FY25	H1 FY26
Gaja Alternative Asset Management	49%	47%	52%	38%
360 One WAM	59%	66%	61%	62%
Aditya Birla Sun Life AMC	41%	39%	37%	36%
Anand Rathie Wealth	59%	59%	59%	56%
HDFC AMC	25%	22%	19%	20%
Nippon Life AMC	39%	34%	33%	32%
Nuvama Wealth	82%	74%	69%	70%
UTI AMC	55%	43%	43%	49%
<b>Average of peers considered</b>	<b>51%</b>	<b>48%</b>	<b>46%</b>	<b>46%</b>

Note: N.A. – Not Available; Cost-to-income ratio is calculated as Total Expenses/ Total Income for the period; Average of peers considered excluding Gaja, Source: Company reports, Crisil Intelligence

## Gaja Alternative Asset Management reported the highest book value per share among peers as of fiscal 2025

The company reported the highest book value per share among peers in fiscal 2025, at Rs 94,436.92, followed by Nuvama Wealth at Rs 971.12, UTI AMC at Rs 403.21 and HDFC AMC at Rs 380.26.

## Book value per share

Players	Book value per share (in Rs)		
	FY23	FY24	FY25
Gaja Alternative Asset Management	70,827.29	80,153.61	94,436.92
360 One WAM	87.67	96.13	179.73
Aditya Birla Sun Life AMC	87.40	110.00	129.19
Anand Rathie Wealth	115.16	158.16	82.83*
HDFC AMC	286.18	331.41	380.26
Nippon Life AMC	56.45	63.68	66.59
Nuvama Wealth	644.34	821.01	971.12
UTI AMC	304.60	390.79	403.21

*Note: N.A. – Not Available; book value per share is calculated as total net worth / total shares outstanding for the period, Anand Rathie Wealth issued bonus shares in 1:1 ratio in FY25.; Source: Company reports, Crisil Intelligence*

## List of Formulae

Parameter	Formula
Cost to income ratio	Total expenses for the relevant fiscal year divided by total income
RoE	Profit after tax / average net worth
Debt to equity ratio	Total borrowings / Total shareholder equity of the same fiscal
PAT margin %	Profit after tax / Total Income for the relevant fiscal year
Book value per share	Total net worth / Total number of shares outstanding

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