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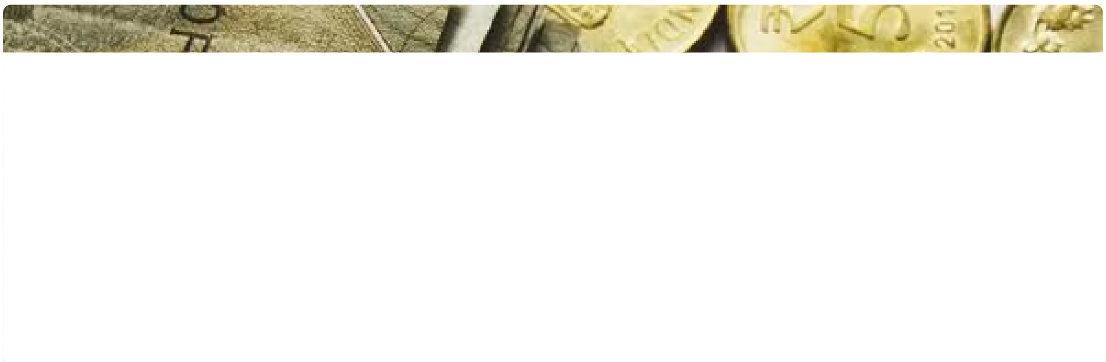
How local private credit funds pulled ahead of foreign rivals in the mid-market

Mansi Verma | 4 min read | 7 Sep 2026, 05:40 AM IST



Domestic managers can also move faster because investment teams and borrowers are typically in the same market.**(Pixabay)**

SUMMARY

Domestic funds accounted for about 74% of private-credit deal value and 79% of deal volume in the first half of 2026, according to EY data. The share of global funds plunged to 26% from last year's 68%.

Indian private-credit managers are taking a larger share of mid-market deals as a growing pool of domestic capital gives them an edge over global funds in an increasingly important part of the country's credit market.

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The new power balance in India's private credit market

Takeaway	Data / Number
Domestic funds dominate private-credit deal value in H1 2026	74% domestic; 26% global
Global share declines sharply in H1 2026, over same period last year	68% → 26%
Bigger deals over $100 million are still growing	9% → 21%
Domestic and global funds have different sweet spots	$10m–$60m vs $200m–$250m+
Major domestic funds are raising large pools	Funds like Kotak, Neo, Asecrtis, EAAA, and Avendus net over $3 bn in dry powder to deploy in Private Credit deals in India
Offshore funds face higher costs on rupee exposure	4%–5%

Source: EY report; Mint reporting, other media reports • Get the data

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Local funds have an advantage in mid-market deals, where local relationships, rupee funding and faster decision-making can matter as much as financing capacity. Global lenders retain an edge in larger and more complex transactions, where they can deploy bigger pools of capital.

"What we are seeing isn't global capital pulling back from India, but rather domestic capital coming of age," said Eshwar Karra, deputy managing director at Kotak Alternate Asset Managers. Over the past couple of years, Indian private credit has evolved from a niche, opportunistic asset class into a mainstream allocation for domestic limited partners, family offices and high-net-worth individuals, he added.

Funds, including EAAA India Alternatives Ltd, Kotak Alternate Assets Managers Ltd, Ascertis Credit, Avendus PE Investment Advisors and Neo Asset

Management, have raised or are targeting about $4 billion across their private-credit vehicles, according to multiple media reports.

Last month, Motilal Oswal Group committed ₹1,500 crore to Inox Clean Energy Ltd, the renewable energy platform of the INOXGFL Group, in a structured private credit transaction.

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Domestic funds take the lead

The decline in global funds’ share needs some context. The first half of 2025 included a $3.1 billion refinancing that was largely funded by offshore capital, disproportionately lifting the global share, said Ankur Jain, managing director of private-credit strategies at InCred Alternative Investments.

Even after adjusting for that transaction, however, the shift toward domestic managers is significant, he said. “The drop is real, but it is more like 50 to 26 than 68 to 26,” Jain said.

Local managers are gaining an edge particularly in the mid-market, where smaller-ticket transactions particularly in deals of $10 million to $60 million, are less attractive for offshore funds because of the cost of underwriting and executing each deal, said Jain.

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Domestic managers are also increasingly crowding into special situations offering returns of 18% or more, he said, adding competition is intensifying among them in that segment.

Local managers gain an edge

Kotak Alternate's Karra said the real depth of the market has shifted towards this segment as private credit has expanded. “Global funds typically have higher return hurdles, larger cheque-size mandates and stricter risk frameworks, pushing them towards mega-deals or complex special situations,” he added.

Meanwhile, domestic managers can underwrite mid-market growth, financing and refinancing needs for holding companies with faster turnaround times, while structuring around local regulatory and cash-flow realities.

On the other hand, for offshore lenders, currency hedging is one of the hurdles. Dollar-based funds lending in rupees can face hedging costs of roughly 4-5%, making it harder for them to compete for performing-credit transactions unless the underlying returns are sufficiently high, InCred Alternative's Jain said.

That means an offshore lender may need returns in the high teens to achieve economics comparable with a domestic fund investing in rupees, Jain said.

Global peers aren't disappearing

Domestic managers can also move faster because investment teams and borrowers are typically in the same market.

“Domestic funds typically have decision-making teams based in India, allowing them to move faster and provide greater certainty around closure,” said Anshul Jain, executive director of private-credit strategies at Avendus.

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The shift doesn't mean global lenders are disappearing. They continue to have an advantage in large-ticket financings and complex special situations, where their larger funds allow them to underwrite transactions that can be difficult for a single domestic manager to absorb.

Deals such as ongoing discussions with global private credit funds for $700 million Megha Engineering buyout in August and the Shapoorji Pallonji transaction in June show that international funds remain important at the upper end of the market.

The result is less a retreat by global capital than a redistribution of the market. As Indian managers accumulate larger pools of capital and deepen their origination networks, they can increasingly compete for transactions below the mega-deal end of the market, while global funds retain an advantage when financing needs reach the hundreds of millions of dollars.

Rakshat Kapoor, Head & CIO of private credit at Motilal Oswal, said that even as the local private credit market matures, the Indian market is still evolving and at an early stage.

"Global funds are still managing deals larger than $200–250 million. The domestic funds still don't have the size to accommodate the entire deal within the fund and, hence, for now, have to club other funds together or co-invest with other LPs or other investors, to stitch up the whole transaction," he added.

ABOUT THE AUTHOR

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Mansi Verma is a senior correspondent covering private capital in India for Mint. Think of strategy shifts, private equity and venture capital deals, ...Read More

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