Indian Credit Macro — Mid-2026

The Peak Is Behind Us

My read on where we are in the cycle — across ratings, banking, retail and consumer credit, real estate and promoter finance — and how I think we should underwrite through a year that is benign on the surface but no longer in its pink of health.

For our Limited Partners and prospective investors · June 2026 · Strictly Private & Confidential

What I believe, in six lines

1. Peak credit macro is behind us. The cycle has not turned; it has simply stopped improving. Every momentum gauge has rolled over, yet the level it has rolled over from is still benign.

2. The deterioration is slow and the losses are not yet mounting. System bad loans sit near a multi-decade low and corporate leverage near a decade low, so the buffer is full and largely unspent.

3. Some losses will arrive this year. I do not see how a book can earn 15–17% in ‘performing credit’ and pretend that all of it is pure arbitrage rather than risk that simply has not printed yet.

4. I would not swap equity for credit merely because equity has not paid for two years. Credit is a different expression of risk, not a hiding place from it.

5. Two soft spots are building beneath a calm surface: a consumer-finance binge that has started again, which the regulator is for now choosing not to lean on; and IT-led property demand that is fading just as launches outrun sales.

6. So this is a year to be careful. Take less yield for a stronger balance sheet, fund what can be monetised quickly, and stop treating either the credit cycle or the equity-raising window as a law of nature.

Then why underwrite credit at all?

It is a fair question, if the tone here is this sober. My answer is simpler than ‘the macro is wonderful, so go and buy credit.’ It is that credit is a better risk to underwrite than pure growth risk in the current environment. It suits an investor who wants a few percentage points of risk premium over a vanilla bond and who understands that this is precisely what they are buying. The note of caution in all of this is aimed only at the other reader — the one who wants to sell, or own, credit as ‘boring fixed income at 14%’ because ‘attractive equity is not even delivering 10%.’ That logic does not work, and we should not pretend otherwise. Credit earns its place as a risk taken, not as a refuge from a market that has disappointed.

1 The aggregate picture: the momentum has rolled over

When I look at the Indian credit cycle today, my honest read is not that it has turned, but that it has stopped getting better. That is a different and more useful statement. The cleanest way to see it is through the rating agencies’ credit ratio — the number of upgrades for every downgrade — which has fallen in three clean steps over the last eighteen months. I lean most on CRISIL here, because its universe is the broadest and most bank-loan-rated, and so it captures the mid-market in which we actually operate.

CRISIL credit-ratio series	H1 FY25	H1 FY26	H2 FY26
Credit ratio (upgrades : downgrades)	2.75x	2.17x	1.50x
Upgrades / downgrades (count)	–	499 / 230	383 / 255
Upgrade rate	–	~14%	~10.6%
Downgrade rate	–	6.4%	7.0%
Reaffirmation rate	–	~80%	~82%

Source: CRISIL Ratings, H1 and H2 FY26 round-ups. H1 FY26 counts cover Apr–Sep 2025.

The agencies disagree on the level but agree on the direction, and that agreement is what matters. For the full year, ICRA actually reported its credit ratio improving to 3.1x from 2.0x, on 388 upgrades against 124 downgrades, with a default rate of just 0.4%; India Ratings put its own ratio at 3.1x, down from 3.5x, with defaults edging up to 0.8% from 0.6%; and CareEdge made the point I find most instructive, that the downgrade rate at 7% is still below its ten-year average of 10%, so the moderation is showing up in fewer upgrades (13% against a 15% norm) rather than in more downgrades. In plain terms, improvement is becoming selective, not reversing.

I would resist over-reading this. A credit ratio is a second-derivative number. At 1.50x, upgrades still outnumber downgrades three to two, and that is not stress — it is simply less of a good thing. The pressure is coming from outside the balance sheet (tariffs on exporters, and the West Asia conflict that escalated only in the final month of FY26 and therefore does not yet sit in the numbers), which is why India Ratings frames the coming year as a test of five years of balance-sheet repair rather than as the failure of it. The test is in front of us; the cushion that will face it is intact. On margins and leverage there is no event at all in the aggregate: CRISIL has revenue growing around 8% with EBITDA margins steady near 12%, and gearing close to a decade low of about 0.5x. Cycles do not break from a position of maximum balance-sheet strength. They break after leverage has been rebuilt and then shocked, and we are some distance from that.

2 The banking system: asset quality at a multi-decade best

The banking system tells the same story from a different angle. On the RBI's December 2025 Financial Stability Report, with data to September 2025, headline asset quality is one of the strongest I can remember, capital is ample, and nothing in the system-level aggregates points to distress.

Banking-system metric (Sep 2025)	Reading	Context
Gross NPA ratio (scheduled commercial banks)	~2.1%	Multi-decade low; the FY18 peak was ~11.2%
Net NPA ratio	~0.5–0.6%	Provisioning coverage healthy
CRAR — public sector banks	16.0%	Well above the regulatory minimum
CRAR — private sector banks	18.1%	Strong capitalisation
Bank loan write-offs, FY25	Rs 1.72 lakh cr	Down from a Rs 2.43 lakh cr peak in FY20

Source: RBI Financial Stability Report, December 2025; loan write-off figures per Ministry of Finance.

The one composition signal I would not ignore — and it is the thread into the next two sections — is where the slippage is coming from. Unsecured loans accounted for 53.1% of retail-loan slippages at September 2025, and a striking 76% of slippages at private banks against roughly 16% at public-sector banks. This is the soft underbelly: not a system-level problem, but a concentrated one sitting inside an otherwise pristine 2% system. The RBI saw it early and raised risk weights on unsecured retail and on bank lending to NBFCs back in November 2023, and banks have been writing the stress off briskly — which flatters the headline by clearing the accumulation off the books rather than by preventing it.

3 Household and retail credit: the binge has started again

Here is where I want to be precise, because the numbers have moved a great deal and they have moved fast. Through the latter half of 2024 and into early 2025 the household-credit engine slowed, and that slowdown — alongside visible, regulation-led stress — was the backdrop against which we underwrote microfinance and consumer finance. It has now re-accelerated to a scorching pace. Overall bank credit grew 17.44% year on year in May 2026 (and 17.65% in the fortnight to 31 May, the fastest in nearly two years), the ninth consecutive month of double-digit growth.

Credit and household-leverage indicator	Reading	Period
Overall bank credit growth (YoY)	17.44% (fortnight to 31 May: 17.65%)	May 2026
Non-food bank credit growth (YoY)	15.8%	Apr 2026 (fortnight to 30 Apr)
Personal-loans segment growth (YoY)	16.0%	Apr 2026
Services credit growth (YoY), NBFC-led	18.6%	Apr 2026
Credit minus deposit growth gap	~544 bps (deposits +12.2%)	31 May 2026
Outstanding consumer loans	~Rs 62.5 lakh cr	Sep 2025
Household debt / GDP	~41% (above 5-yr average)	Mar 2025

Source: RBI weekly and sectoral credit data (reported by PTI / Business Standard, June 2026); RBI Financial Stability Report, December 2025. Household debt is the RBI's household-debt-to-GDP measure.

The composition is what makes the speed uncomfortable rather than reassuring. Services credit is running at 18.6% and is led by lending to NBFCs; personal loans are at 16%; and the gap between credit and deposit growth has opened to roughly 544 basis points, which is its own slow-burning funding pressure. Set this against the earlier cycle — bank personal loans grew about 75% and NBFC unsecured books about 130% between March 2021 and March 2024 — and the pattern rhymes. The RBI flagged in January 2026 that private consumption, nearly 60% of GDP, is increasingly being financed by borrowing rather than by income, which is exactly the shift from income-led to credit-led consumption that tends to look benign right up until it does not.

> **Why last year's "simple trade" no longer works.**
> Last year the trade was almost mechanical. The industry had already slowed sharply, the regulator was already leaning in, and regulation-led stress was visible in the open. In that setting one could simply avoid the bad actors, back a decent franchise, and be fine. That was a real edge, and it worked. It does not work now. In February 2025 the RBI rolled back the higher risk weights it had placed on bank lending to NBFCs, growth has re-accelerated, and the two conditions that made the trade safe — a cooling industry and an active regulator — have both reversed. The discipline a slowing cycle used to impose on us for free now has to be supplied by us.

4 Consumer finance and fintech: scorching again, and the regulator is looking away

This is the part of the market where my own discomfort is rising fast, even though I continue to like the space and continue to lend in it. The going has been too good for consumer finance — not yet for microfinance, which I come to next, but certainly for the rest — and a great deal of money is being made. Banks, NBFCs and fintech lenders are once again expanding aggressively into consumption-led credit, with consumer loans outstanding already past Rs 62 lakh crore, and the easy profitability of the moment is, in my experience, precisely the condition under which underwriting standards quietly slip.

The only thing genuinely holding the segment together right now is that the regulator is, for the moment, looking the other way. In the current macro it simply cannot afford to hurt anyone, so it is choosing not to. I would not mistake that tolerance for a structural support. It is a fragile saving grace, and when the cycle softens the regulatory posture flips from permissive to punitive — as it did in November 2023 — and the leverage built in the permissive window crystallises into stress.

If I had to name where tightening lands first, it is gold finance, and it already has. The RBI's Lending Against Gold Collateral Directions took effect on 1 April 2026, overhauling a segment the regulator had flagged for inconsistent valuation, unmonitored loan-to-value drift, and a few lenders growing too quickly with weak controls. The new framework caps the loan-to-value ratio on a tiered basis by loan size:

Loan-size band (framework effective 1 Apr 2026)	Maximum LTV ratio
Up to Rs 2.5 lakh	85%
Rs 2.5 lakh to Rs 5 lakh	80%
Above Rs 5 lakh	75%

Source: RBI Lending Against Gold Collateral Directions (notified 2025; effective 1 April 2026).

Alongside the tiered ceilings, the rules standardise valuation at the lower of the 30-day average and the previous day's closing price, require bullet (interest-at-maturity) loans to be repaid within twelve months, and mandate the return of pledged gold within seven working days. And there is a second risk on top of the rules that the last several years of one-way appreciation have trained the industry to ignore: gold is sitting at or near record highs through 2026. The very price level that has driven scorching gold-loan demand is also the level from which a correction does the most damage to collateral cover. Writing fresh book at a peak price, against a tiered-LTV regime designed for stability rather than for growth, is an exposure to a valuation air-pocket, and I do not think it is being priced.

> **My call on consumer finance.**
> At some point in 2026, or early 2027, I think consumer finance cracks again. The renewed binge, the rebuilt leverage and the inevitable swing back to regulatory firmness make that close to a cyclical certainty; the only real uncertainty is timing. Microfinance is the exception — it has already taken its pain and is mending. To be sure, we continue to like consumer finance and we will keep originating in it, but at the margin our concerns are mounting, and the posture I want for us is to be among the fewer, more conservative lenders still standing when the tide turns, not among the many chasing the last of a good cycle.

5 Microfinance: the one segment that already broke, and is healing

Microfinance is the counter-example to nearly everything else in this note, and it is worth holding onto as a reminder of what a real reckoning looks like once it has run its course. FY25 was a genuine crisis — over-leverage, the Karnataka regulatory episode, heat-waves and external disruption arrived together — and the deterioration was sharp.

Microfinance asset quality	Q4 FY24	Q4 FY25	Q4 FY26
PAR 31–180 days	~2.0%	6.2%	~2.0%
Gross loan portfolio (industry)	Rs 4.24 lakh cr	Rs 3.75 lakh cr	Rs 3.25 lakh cr*
Sequential GLP trend	Growth	Contraction	+3% (first growth in 7 quarters)
NBFC-MFI gross NPA (CareEdge estimate)	–	5.4%	~3.6%

*Source: MFIN quarterly data; CRIF High Mark; CareEdge. *Q4 FY26 GLP per MFIN's latest release; vendor figures differ modestly with coverage.*

The early-delinquency bucket more than doubled to 6.2% in FY25, and sector bad loans rose to roughly 15% of a shrinking book. But the most recent print is decisively better: in the March 2026 quarter the industry loan book grew sequentially for the first time in seven quarters and early delinquencies fell back toward 2%. The lesson for how we underwrite is the inverse of consumer finance. Microfinance has done its penance, lenders have written off and re-based, and the cyclical risk there is receding rather than building.

6 Defaults so far: a few, scattered, and not yet systemic

On actual defaults, REDD Intelligence's work on Indian private credit, is only that I can quote. What it describes is a modest cluster of high-yield defaults over the past year, scattered across unrelated sectors rather than concentrated in any single fault line — an auto-ancillary, a textile manufacturer, a small NBFC or two, and a hospitality business. A handful, in other words, and a deliberately diverse handful at that. I see stress developing in a few more cases, totally dispersed across sectors.

I read that dispersion as a reassuring signal rather than an alarming one. A turning cycle announces itself through a wave of correlated failures in a single sector or a single funding structure; what we are seeing instead is a scatter of idiosyncratic situations, which is exactly the signature of a cycle that is decelerating rather than fracturing. The mistake I want us to avoid is the opposite one of complacency: a few names defaulting is not noise to be waved away, it is the early, normal cost of a market in which money has been lent freely for a long time, and it is a reminder that the next set of defaults will not announce themselves in advance either.

7 The equity-raising line: why 'DRHP filed' is not a credit hook

If our borrower's case depends on the fact that it will be taken out by an equity raise — an IPO, a placement, a primary round, it works in certain macro conditions. But then, it stops working in certain others. Perhaps, we live in such times when equity raise will look very difficult for most of the firms.

Primary-market and risk-capital indicator	Reading	As of
DRHP-filed companies awaiting listing	~222 (about 170 of them from 2025)	May 2026
Companies awaiting SEBI approval	~63	May 2026
SEBI relief: observation-letter validity	Extended to 30 Sep 2026	Apr 2026
SEBI relief: fresh-issue size revision	Up to 50% without re-filing the DRHP	Apr 2026
PE / VC investment activity	US$13.1 bn across ~360 deals (moderated)	Q1 CY2026

Source: Uniqus India IPO insights (May 2026); SEBI circulars (April 2026); EY-IVCA (Q1 CY2026).

You can notice in the table that the line of companies waiting to raise equity in India is very long — well over two hundred names have filed and are simply waiting — and the regulator has had to extend the validity of its approvals and permit issuers to cut their issue sizes by up to half without re-filing, just to stop offer documents from lapsing. A regulator extending deadlines is, in effect, the freeze made official.

The point about the equity window.
What I keep coming back to is this: capital flows to new ideas only when the existing stock of capital is doing well. When the broader market is in good humour, the window is open and everything raises; when it is not, the window does not half-close, it simply shuts, and the answer to almost everyone becomes no. There is no middle setting. So when an underwriting case rests on ‘the borrower has filed its DRHP and will raise equity,’ I do not read that as a catalyst. I read it as a stress point sitting somewhere ahead of us, because the very exit we are counting on is the one that disappears precisely when conditions deteriorate. The exit we underwrite to must be the contractual one — the put, the guarantee, the cover. The listing is upside to be welcomed if it comes, never the plan we depend on.

One rung further down: venture debt and runway trades

The same logic, taken a step further down the risk curve, is what makes me wary of venture debt and runway trades just now. These fund a strong balance sheet — a company with a great deal of cash to burn — but often with no stable business underneath to speak of. That trade works, and works well, in a benign environment where equity money is available in plenty, because the runway is really an option on the next equity round. Two things have changed. The first is that AI is quietly sucking capital out of the entire market, and mostly toward a handful of the largest AI names, leaving less for everyone else. The second is that the pool available for Indian ventures specifically is shrinking, because they tend to be less of a deep-tech play and so command less of that narrowing global allocation.

Venture is, by its nature, a high-beta bet. So if the money is not there even for DRHP-ready businesses that are one step from the public market, it will be far harder to find for the less-discovered, and certainly less stable, companies a rung below them. I want to be clear that this is not a permanent feature of the world. It will change, and the capital will return. The day equity is once again plentiful is precisely the day to underwrite venture-like credit. That day is not today.

8 Real estate: the goodness is fading, and IT is the swing factor

On real estate, my summary is that the goodness is fading. At the macro level inventory is still at a comfortable level, but the strength of new launches means that, at the margin, things will begin to look worse from here. ANAROCK’s data for the January–March 2026 quarter across the top seven cities carries the single most important signal of this cycle: for the first time since the pandemic, new launches are outpacing sales.

Top-7 cities, Q1 (Jan–Mar) CY2026	Reading
Housing sales	~1,01,675 units; −7% QoQ, +9% YoY
New launches	~1,26,265 units; +2% QoQ, +26% YoY
Supply versus demand	Launches now outpace sales (first time since the pandemic)
Unsold inventory	~6.01 lakh units; +4% QoQ, +7% YoY
Implied inventory overhang	~18 months (the healthy band is roughly 18–24)
Prices	+9% YoY across the top 7; all eight major cities positive YoY
Supply mix	Rs 1.5–2.5 cr = 32%, above Rs 2.5 cr = 20% of launches

Source: ANAROCK Research, Q1 CY2026. Inventory overhang in months is implied from inventory divided by quarterly absorption.

Read carefully, the comfortable reading holds in levels and over twelve months — demand velocity is still decent at +9% year on year, and the overhang is still inside the healthy band — but the sequential picture has flipped, and the inventory that is building is concentrated in premium product, where stock above Rs 1 crore rose roughly 19% year on year even as affordable stock fell. The behavioural risk worries me more than the arithmetic. Builders trained by four or five good years are now drawing up large projects, because success in a good cycle trains the instinct to read a cyclical upswing as a promise of a permanent one. The 26% surge in launches against a 7% sequential fall in sales is that very misjudgement, showing up in the aggregate.

The driver I think is most under-weighted is employment, and specifically information technology. The property booms in Bengaluru, Hyderabad, Pune, Gurgaon and parts of the Mumbai region are IT-employment-led, and that engine has changed regime.

Indian IT-services labour signal	Reading
Top-5 IT net headcount, FY26	−7,389 (against +12,718 in FY25)
TCS workforce reduction announced	~12,000+ (about 2% of staff), mid/senior-heavy
Fresher hiring — TCS FY27 target	~25,000, down from 40,000–42,000
Share of tech openings that are fresher roles	~13% of ~1,19,000
Jobs at risk over 2–3 years (Reuters / analysts)	~500,000 of a 5.67mn-employee sector
Offsetting: GCC hiring	Adding ~3–4 lakh roles, in the same hub cities

Source: company FY26 disclosures; Reuters; staffing-firm and tracker data, 2025–26.

I hold a strong prior here, and I will state it plainly: to a first approximation, India is Indian IT. As a literal claim about the whole economy that is too strong — manufacturing, financials, government capex and genuine end-user demand all drive housing — but as a claim about these specific micro-markets it is close to right. The combination that concerns me is that the equity index is roughly flat while net IT hiring has turned negative and fresher intake has collapsed, which means the market is not yet pricing an employment regime change that feeds directly into the urban consumption-and-housing multiplier. I cannot tell myself that a sharp fall in IT hiring, with the index merely flat, is not concerning for Indian real estate; if sentiment for Indian IT does not reverse fairly quickly, a great deal else gets worse with it. The one genuine offset is that global capability centres are still hiring into the same cities at higher pay, which supports the premium end even as the broad, fresher-fed mass-absorption engine weakens — awkwardly, the premium end is exactly where the inventory is now building.

Here, I must bring my colleague’s dissenting view. He argues “if its so bad, then why commercial leasing is growing rapidly? Why vacancies are low?” His is a view more rooted in bottom up – he thinks net office leasing is growing, so there is employment getting created in GCC, flex offices. So in this situation, we should be net positive. But he agrees that the case of major growth in prices or volumes isn’t there. A BAU is what he argues for. Not sure, if I disagree here. May be a glass half full vs glass half empty. What we agree is – its times to be careful in choosing good builders, good micro markets – even if it comes at the cost of some yield.

> **How I want us to underwrite real estate from here.**
> Look for a builder of genuine repute, and settle for a lower yield where the trade-off buys a better-quality balance sheet, because in a turning cycle that trade is the right one. Do not fund super-aggressive growth, do not fund large developments, and treat the five-year build-and-sell with real suspicion unless it comes from a very reputable builder with a great balance sheet who can carry the project through a few soft quarters without our money being the marginal funding. Fund quick-monetisable assets — completed or near-completed, RERA-cleared, price-discovered through pre-sales, in genuine end-user micro-markets. The real risk for a lender was never a price crash; it is absorption velocity slipping until the project cash flow that repays us slips with it. With launches now leading sales and the IT tailwind fading, that velocity risk is higher than the last four years taught us to expect.

9 Promoter finance: we are funding accessibility, not collateral

At the system level this is the cleanest promoter-leverage environment I have seen in a decade. Aggregate promoter share-pledging has been on a declining trend, and the recent flow of disclosures is dominated by pledge releases on repayment — the tail end of the long clean-up of the double-leveraging that blew up after IL&FS, where a holding company raises debt against operating-company shares and disguises the true group leverage. Listed promoters de-levered alongside their companies. So if the question is whether promoters are over-levered in aggregate, the honest answer is no, rather the opposite.

But the framing that matters to me is conceptual, not statistical. A loan against shares is not really a collateral trade. The collateral is only a bridge to trust. What we are actually funding is a promoter's financial accessibility — his standing with banks, mutual funds and foreign investors, and his option to sell a stake, raise equity or refinance. The pledged shares are merely how we bridge the gap until that accessibility re-asserts itself and repays us. Once it is put that way, the strong trade and the weak trade separate cleanly.

Dimension	The STRONG promoter trade	The WEAK promoter trade
Promoter wealth and accessibility	Deep, and surplus to the loan	Exhausted; the loan is the last resort
Loan-to-value at the promoter level	Low	High (around 50% against a single 'currency')
Debt inside the operating businesses	Low	Heavy
Operating cash flow	Healthy	Thin
What actually repays us	Refinancing optionality, long before the pledge	The same de-ratable shares we hold
Correlation of the risk	Diversified across sources	Collateral and repayment are one and the same

This is a framework, not a description of any specific exposure.

Put a rich promoter with low promoter-level loan-to-value and little debt in the operating business, and the trade is sound: his accessibility is deep, the collateral is genuinely surplus, and we are repaid out of his refinancing optionality long before the pledge is ever tested. The inverse — thin operating cash flow, heavy operating debt, and a promoter borrowing against his listed shares, his currency, at around half their value — is a weak trade wearing the costume of a secured one, because the collateral and the source of repayment have become the same correlated thing. If the business wobbles, the stock de-rates, the loan-to-value blows through, and the accessibility evaporates, all at once. The system being clean does not rescue that specific trade; it only means such a trade is an outlier the lender has chosen.

10 Conclusion: a year to be careful

So let me put it together. Peak credit macro is behind us. The cycle has not turned; it has stopped improving. The second derivative is negative across ratings, real estate, IT-led demand and the equity-raising window — yet the level it is moderating from is still benign, with system bad loans near a multi-decade low and corporate leverage near a decade low. This is deceleration, not destruction.

The deterioration is slow and the losses are not yet mounting. This is not 2018 and it is not 2008. The defaults that have arrived are few and scattered; the one segment that genuinely broke, microfinance, is already mending; and the real soft spot, unsecured consumer credit, is for now contained inside a 2% system. India Inc deleveraged through the good years, so the buffer that faces the coming test is full and largely unspent. The most likely path, to my mind, is a sombre and slow set-up rather than a blow-up.

But some losses will certainly arrive this year, and I think we owe ourselves a good review about why. If a book earns 15–17% in what it calls performing credit and tells itself that all of that is pure arbitrage — the regulatory exclusion, the illiquidity premium, the barriers to entry — then it is deceiving itself by omission. There is no free lunch here that has been suspended for private credit. Part of that premium is genuinely structural and durable. Part of it is simply credit risk that has not printed yet, because the going has been good for too long. The benign years did not abolish that risk; they deferred its appearance, and we collected the premium while the losses stayed away, so the premium began to look like alpha when some of it was always beta to a benign cycle — beta we were borrowing from a future that is now arriving. That is not a reason to panic. It is a reason to price risk again as though it exists.

And it is why I will not make the lazy trade of the moment, which is to swap equity for credit on the argument that equity has not made money for two years. That is performance-chasing dressed up as asset allocation. I have often said that credit is a balance-sheet trade where equity is a profit-and-loss trade; a leverage trade where equity is a margin trade; a survival trade where equity is a growth trade. All of that is true and I still believe it. What I have not said as plainly, and should, is that credit is also a risk trade, exactly as equity is. The risk is shaped differently — capped upside, a fatter-tailed downside, paid as a coupon rather than as a capital gain — but it is neither smaller nor genuinely uncorrelated. The low correlation everyone quotes holds in calm and collapses in stress, because the same engine that destroys earnings and freezes refinancing is the engine that produces default. I cannot imagine a world in which equity has to fall another 25% and our kind of book walks away without scars.

A word on the word. A colleague wanted this note to say ‘caution’ where it says ‘careful,’ and I held out for ‘careful.’ I judge the risk moderate enough to deserve our care, but not high enough to warrant caution. I admit the distinction is partly semantic — but I mean it, because the gap between care and alarm is precisely the gap between underwriting well through a softer year and not underwriting at all.

> **So where does that leave us.**
> The going has been too good for too long, and this is a year to be careful. The discipline is not to retreat, but to stop underwriting as though the tailwind were a law of nature: take less yield for a stronger balance sheet, do not fund aggression or the five-year build, do not mistake collateral for trust or a refinancing window for an exit, and do not let an investor, a colleague, or our own track record persuade us that because equity has stumbled, credit is where one hides. It is time for all of us to be careful. Most importantly, it is time for us to be careful.

Important information and compliance

Sources and methodology

Rating ratios: CRISIL Ratings H1 and H2 FY26 round-ups; ICRA, CareEdge and India Ratings FY26 commentary. Banking and household leverage: RBI Financial Stability Report, December 2025; Ministry of Finance. Credit growth: RBI weekly and sectoral deployment data, as reported in June 2026. Microfinance: MFIN quarterly data; CRIF High Mark; CareEdge. Gold: RBI Lending Against Gold Collateral Directions (effective April 2026). Defaults: REDD Intelligence, publicly available India private-credit insight. Primary markets and risk capital: Uniqus India IPO insights (May 2026); SEBI circulars (April 2026); EY-IVCA (Q1 CY2026). Real estate: ANAROCK Research, Q1 CY2026. IT labour: company FY26 disclosures, Reuters and staffing-firm data. Figures are drawn from third-party sources believed to be reliable but have not been independently verified by us; they are rounded, and estimates from different providers vary modestly with coverage and methodology.