AS BANK LENDING ENTERS SLOW LANE...

Mid-Sized Cos Crowd Pvt Credit Market

AIFs now asset class of choice for those seeking higher returns, quick access to funds

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Mumbai: Himadri Speciality Chemical Ltd, the Ramco Group family, and Gharda Chemicals are among scores of mid-tier businesses, primarily into manufacturing or process-based industries, that are using credit funds to raise resources as bank credit slowed due to a crunch in garnering deposits amid visibly tepid growth for long-term debt plans in the mutual funds industry.

Credit funds are becoming the asset class of choice for wealthy investors who seek higher returns amid circumspect return prospects of debt mutual funds. Mid-rated borrowers, too, are beginning to prefer them as these instruments offer less cumbersome access to quick funds, although often on onerous terms.

Surge in Deal Activity ▸▸ 7

The Big Switch

AUM

$1.5 tn Banks

$200 b Mutual funds

Private credit AUM grew 30% YoY in 2024 to **$25 b**

Its share in alternative assets up from **5%** to **16%** in 5 years

Likely to rise **5x** by 2030

DEPOSIT-CREDIT GAP

Banks struggle to expand deposits while seeing higher credit growth

This has led to credit-deposit ratio of **75.98%** as of Dec 13, 2024

Surge in Deal Activity

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"It is raining deals in the private credit space," said Rakshat Kapoor CIO, Modulus Alternatives. "With public markets being choppy and banks facing challenges, like high credit-deposit (CD) ratios, private credit has emerged as a vital financing alternative. Sectors like engineering and manufacturing are particularly leveraging this channel to meet their funding needs."

Many mid-sized companies are relying on alternative financing to meet capital requirements. Himadri Speciality Chemical, a Kolkata-based carbon specialist, raised around ₹1,000 crore for acquisition financing, backed by Tata Capital, two sources said. The funding will support the company's growth initiatives amid increased deal-making in the chemical sector.

Deccan Fine Chemicals, a prominent agrochemical manufacturer, raised $185-million in a refinancing deal this month. The deal was led by global banks, including Barclays, Nomura, and Standard Chartered Bank.

Similarly, Chennai-based Ramco Group, which is among the biggest cement players in south India, raised promoter-level financing of around ₹400 crore.

The trade was executed through ICICI Prudential Alternate Investments, said banking sources.

Meanwhile, Gharda Chemicals, an agrochemical producer, raised Rs 1,000 crore through a private credit deal backed by DSP Finance, said sources familiar with the matter. The funding will be used for expansion in the agrochemical sector.

Separately, NACL Industries is in discussions with private credit funds to raise around ₹500 crore. The funds are expected to help it meet growth capital needs as banks are cutting back exposure to agrochemical manufacturing.