

India Inc. at Capex Inflection: Banking on Capital Creators

2030: ~₹200 trillion
Credit Expansion
Potential

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Table of Contents

India Inc. could add nearly ~₹200 trillion in debt by 2030.....	2
Corporate India's Balance Sheet Makeover: Lean & Clean.....	3
The Deleveraging Decade	3
Asset Expansion through Efficiency	4
A Step Change in Profitability	4
Early Signs of Capex Revival.....	5
The Leverage Needed and What It Means For Banks	6
The Banks' Big Moment: Can they Deliver?.....	7
Filling the Credit Gap	8
Bankers' Second Act	9
Improving Monetary Policy Transmission.....	12
Demand Turns the Corner.....	13
Breaking Down the Capex Cycle: The Five Leading Sectors.....	14
Consumer Discretionary.....	15
Energy	16
Industrials	17
Materials	19
Utilities.....	20
Building the Outlook: Forecasts and Methodology	21
The Fuel for the Fire.....	24
The Upside Is Not Priced In Yet.....	26
The Flywheel is About to Spin.....	27
Key References	28
Disclaimers	29

India Inc. could add nearly ~₹200 trillion in debt by 2030

GROWTH VECTOR : BANKING

With corporate balance sheets cleaner than ever and a capex revival around the corner, credit demand is set to double. Banks stand at the epicenter of this shift, turning volume growth into higher profitability.



Over the past ten years, companies have deleveraged significantly, improved profitability, and raised shareholder equity, leaving D/E ratios at decadal lows. With utilization levels rising, the stage is being set for a renewed private sector capital expenditure and associated borrowing.

In the best case, total corporate borrowing could reach ₹200 lakh crore, with banks capturing ₹100 lakh crore, implying ~16% corporate credit growth over the next five years.

The banking sector enters upcoming cycle in its healthiest position in years. Balance sheets are clean, with record-low non-performing asset (NPA) ratios, stronger provisioning buffers, and robust capital adequacy levels. After years of focusing on retail lending, banks now have the capacity and appetite to extend credit to corporates.

Equally important, Government policy is acting as a catalyst. Record infrastructure spending, supported by initiatives such as Make in India, Production-Linked Incentives (PLI), and greater public-private participation, is crowding in private investment.

The banking sector stands to be the prime beneficiary of this alignment where corporates are ready to borrow, banks are ready to lend, Government is ready to invest, potentially doubling the corporate credit over the coming years.

“Our best case projects that total corporate borrowing could rise by over ₹200 lakh crore (~\$2.2 Trillion) over the next five years. If banks captured half of this, this would represent a structural doubling of corporate credit outstanding to banks, reversing a decade where retail lending dominated.”

Corporate India's Balance Sheet Makeover: Lean & Clean

Corporate India¹ has undergone a profound structural shift over the last decade, moving from a fragile, debt-laden model to one defined by balance sheet resilience and operational efficiency. This transformation, catalyzed by past crises and solidified during the pandemic, has fundamentally altered corporate behaviour, prioritizing profitability and sustainable growth.

The Deleveraging Decade

If there was one defining corporate response to the crisis, it was deleveraging. Aggregate debt-to-equity peaked at 0.95 in FY20 but steadily declined to 0.66 by FY25. This was not merely a cyclical adjustment but a structural response to the "twin balance sheet" crisis that plagued the previous decade. Faced with a stressed banking system and the introduction of the Insolvency and Bankruptcy Code (IBC), corporates were forced to prioritize financial discipline. This was not merely a function of lower borrowings but also of higher profit retention, which expanded net worth and structurally reduced leverage. As a result, balance sheets are cleaner than at any point in the last cycle, leaving corporates with ample capacity to borrow and invest as demand revives.

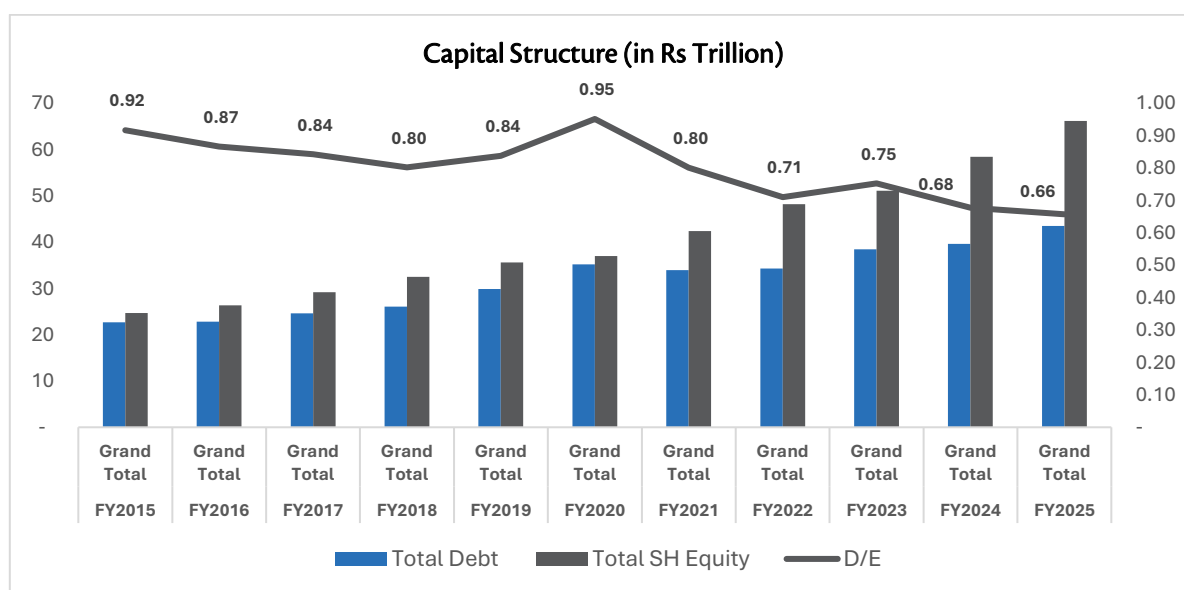


Exhibit 1 : Debt and Equity Levels of India Inc. from FY15-25

Source : OmniScience Insights Labs

¹ The analysis of "Corporate India" or "India Inc." throughout this report is based on a consistent sample of 770 listed companies. This cohort was derived from the top 1000 companies by market capitalization, filtered for complete data availability for the entire FY2015–FY2025 period. Financial services companies have been excluded from the dataset as this study focuses on credit demand from the non-financial corporate sector. These 770 companies are broadly representative of the financial profile of the entire listed universe—including capex, debt, revenue, profitability, and other key financial metrics—ensuring that the analysis reflects the overall trends within India's non-financial corporate landscape.

Asset Expansion through Efficiency

Corporate assets continued to expand through the cycle, posting a steady CAGR of ~7.7% over FY15–25. Utilization, however, told a different story: asset turnover ratios plunged to 0.59 in FY21 as demand collapsed, only to rebound sharply to 0.84 by FY23 before normalizing at 0.77 in FY25, still below pre-pandemic highs. The key insight is that this recovery has been powered by efficiency gains and internal accruals rather than debt-fueled expansion, making it more sustainable.

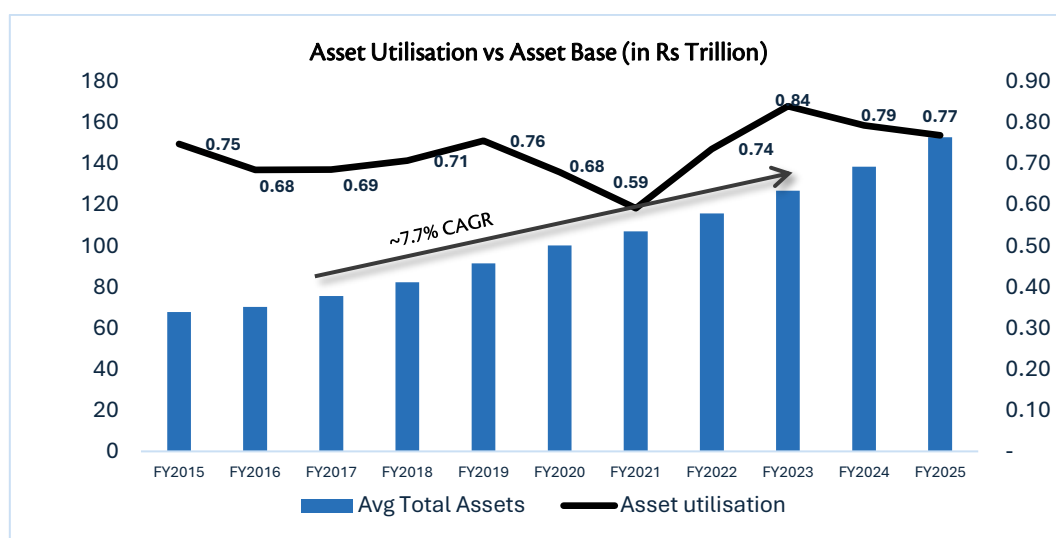


Exhibit 2 : Asset Base Growth and Asset Turnover of India Inc. from FY15-25

Source : OmniScience Insights Labs

A Step Change in Profitability

The culmination of these efforts is a structural re-rating of corporate profitability. Pre-pandemic return on equity (ROE) averaged 11–12% and return on assets (ROA) 4–4.6%. Post-pandemic, ROE has stabilized at 13–15% and ROA at ~6%, supported by stronger net margins of 7–8% versus 5–6% previously. The stems from fundamental improvements at two levels: wider operating margins from lower input costs after commodity prices cooled, and reduced interest expenses following a decade of deleveraging.

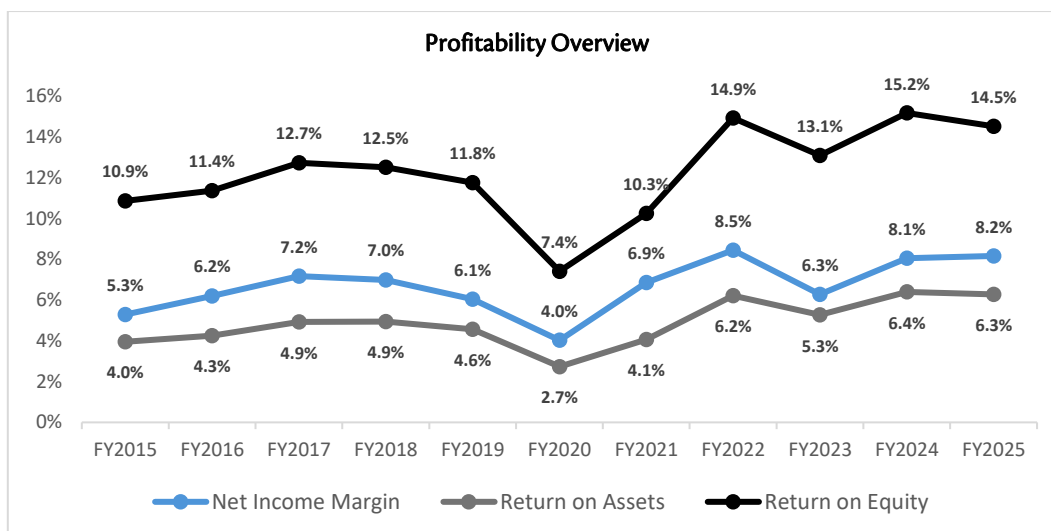


Exhibit 3 : Reoriented Profitability Levels of India Inc. from FY15-25
Source : OmniScience Insights Labs

Early Signs of Capex Revival

Capital expenditure reflects the same story of caution and gradual re-acceleration. From FY16–22, capital expenditure tapered from ~10% to ~7% of revenue, and the pandemic froze new investments. Even as profits recovered in FY22–23, firms chose to allocate cash flows to debt repayment. Only in FY24–25 do we see the early markers of a new investment cycle, with Capex/Revenue approaching 8%. This measured pickup signals readiness for a broader upcycle.

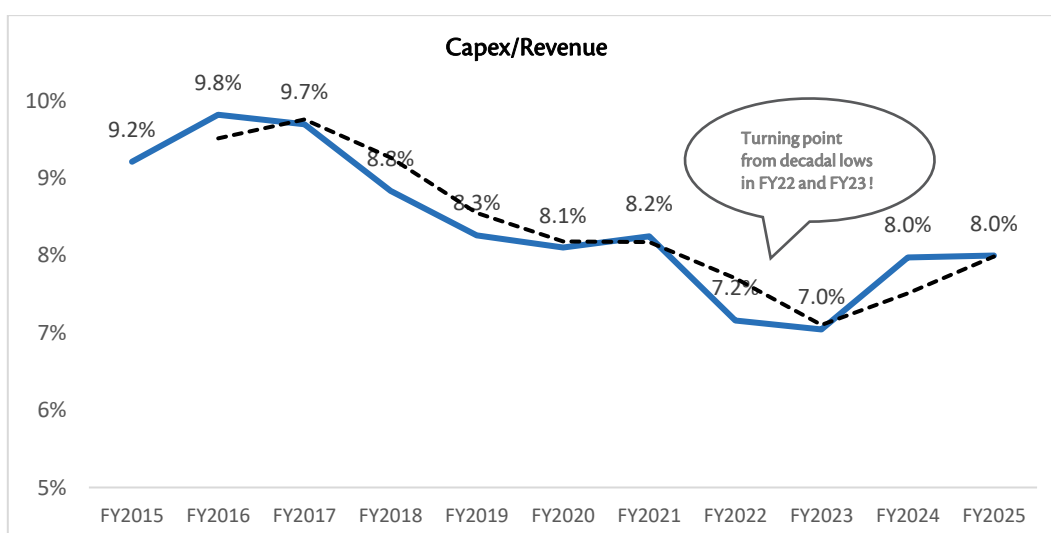


Exhibit 4 : Investment Intensity of India Inc. from FY15-25
Source : OmniScience Insights Labs

The Leverage Needed and What It Means For Banks

India Inc. is entering the early stages of a capex supercycle : profitability has been re-rated, balance sheets are the strongest in a decade, and rising utilization is creating the need for new capacity. The measured uptick in capex today signals a broader investment wave ahead. Every investment cycle rests on its ability to secure capital. Our projections for the India Inc., which account for most listed businesses suggest incremental new borrowings (both bank and non-bank) of ₹27.8 lakh crore (3Y) and ₹41.7 lakh crore (5Y) in the base case.

(In Rs Cr)	Projected New borrowing		3 Year		5 Year	
Scenario	3 Year	5 Year	Bank	Non Bank	Bank	Non Bank
BASE CASE	27,77,760	41,68,535	13,50,500	14,27,261	20,25,446	21,43,089
BEST CASE	41,00,257	61,17,330	20,05,250	20,95,007	29,87,347	31,29,983
WORST CASE	15,65,807	24,67,709	7,50,695	8,15,112	11,86,468	12,81,241

Exhibit 5 : Scenario-wise Projections of Fresh Borrowings (both bank and non bank) by India Inc.

There are some reports that listed firms account for only about a quarter of total corporate debt², but our analysis indicates that it could be closer to 30%. Adjusting for this, under the base case, projected new borrowings are ₹92.59 lakh crore over 3 years and ₹138.95 lakh crore over 5 years. In the best case, borrowings rise to ₹136.67 lakh crore over 3 years and ₹203.91 lakh crore over 5 years.

Out of this, banks could capture ₹45 lakh crore (3Y) and ₹67.5 lakh crore (5Y) in the base case, standing as key beneficiaries of India's impending investment cycle. A detailed illustration is shown below.

(In Rs Cr)	Projected New borrowing		3 Year		5 Year	
Scenario	3 Year	5 Year	Bank	Non Bank	Bank	Non Bank
BASE CASE	92,59,202	1,38,95,118	45,01,665	47,57,536	67,51,487	71,43,631
BEST CASE	1,36,67,524	2,03,91,101	66,84,168	69,83,355	99,57,823	1,04,33,278
WORST CASE	52,19,356	82,25,697	25,02,315	27,17,041	39,54,893	42,70,804

Exhibit 6 : Scenario-wise Projections of Fresh Borrowings by listed and unlisted corporates in India

² Mint 2023 (<https://www.livemint.com/market/mark-to-market/chart-beat-unlisted-indian-cos-carry-higher-debt-burden-than-listed-peers-11703044972608.html>)

The implications for banks are profound. Using RBI's FY2024 corporate credit stock ₹66.97 lakh crore as the base (see Exhibit 8), this translates into corporate credit CAGR of 13.7% (3Y) and 12.3% (5Y) in the base case — a sharp contrast to the stagnation of the last nine years. Even under a worst-case scenario, banks could see corporate credit expand at nearly 8% CAGR, while the best case points to a 16-19% CAGR, adding over ~₹67 lakh crore in new corporate lending by FY2028 and ~₹100 lakh crore by FY2030.

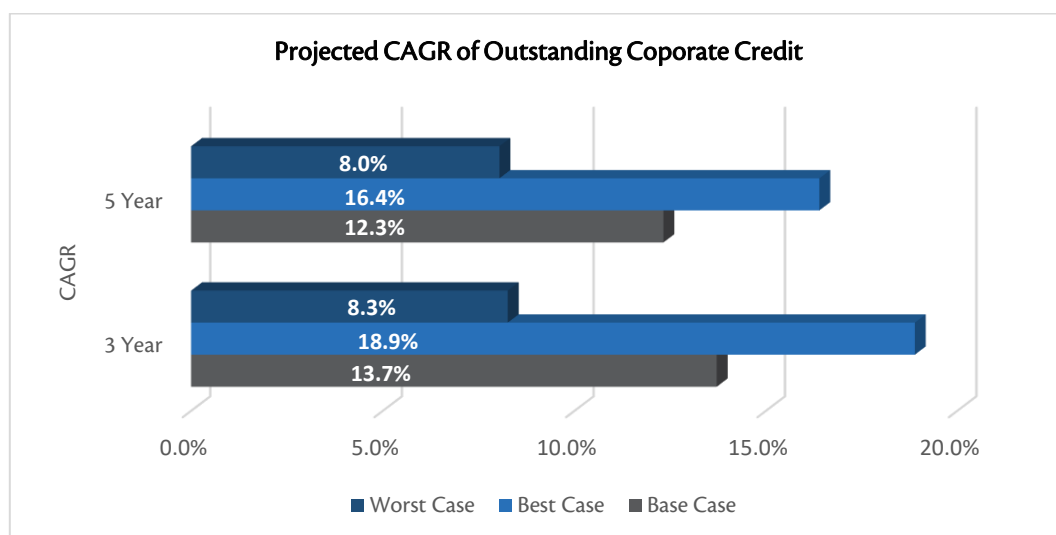


Exhibit 7 : Scenario-wise Projections of Growth in Corporate Credit Stock in India
Source : OmniScience Insights Labs

The Banks' Big Moment: Can they Deliver?

For much of the last decade, India's corporate credit cycle has been conspicuously absent. RBI sectoral data shows that from FY2016 to FY2024, industry credit has barely grown, with outstanding loans to industry rising from ₹27.3 lakh crore in FY2016 to just ₹36.5 lakh crore in FY2024 — a muted CAGR of around 3.7%. Even services (ex-NBFCs) grew faster, but the real driver of bank lending in recent years has been retail loans, not corporates. The corporate side of the balance sheet has been marked by deleveraging, pandemic-related disruption, and cautious investment.

Particulars (in Rs Cr)	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Industry	27,30,700	26,79,800	31,29,512	32,93,638	32,52,801	32,53,636	31,56,067	33,66,406	36,52,804
YoY Growth		-1.86%	16.78%	5.24%	-1.24%	0.03%	-3.00%	6.66%	8.51%
Services ex NBFCs	11,88,325	14,11,205	15,54,079	15,89,512	17,21,147	18,82,987	20,79,071	23,76,265	30,44,199
YoY Growth		18.76%	10.12%	2.28%	8.28%	9.40%	10.41%	14.29%	28.11%
Total	39,19,025	40,91,005	46,83,591	48,83,150	49,73,948	51,36,623	52,35,138	57,42,671	66,97,003

Exhibit 8 : Outstanding Corporate Credit Stock with Scheduled Commercial Banks

Source : Reserve Bank of India

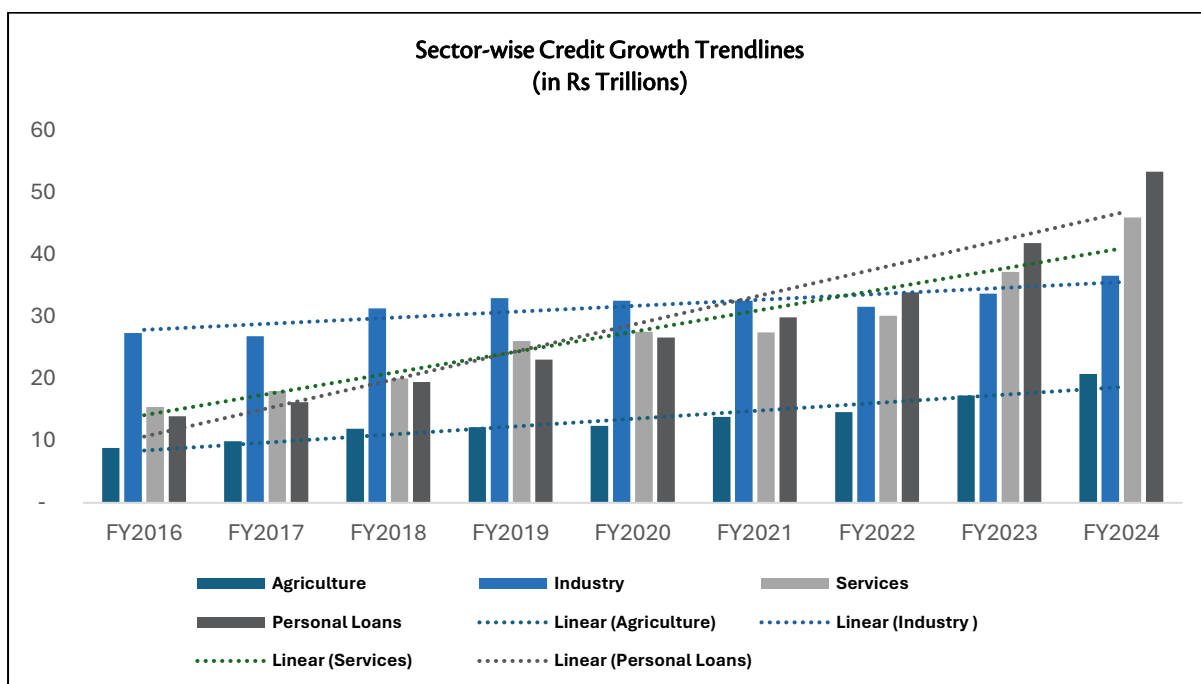


Exhibit 9 : Sector-wise Trends in Outstanding Credit Levels

Source : Reserve Bank of India

Filling the Credit Gap

Over the past decade, government-owned NBFCs have steadily gained market share in infrastructure project lending, a space traditionally dominated by banks. In the lead-up to FY2014, Indian banks had already accumulated a large stock of stressed assets, particularly in infrastructure and power. The NPA cycle that followed made banks reluctant to underwrite long-gestation, lumpy projects. This financing vacuum opened the door for specialized government FIs such as PFC, IRFC, IREDA, HUDCO, and IFCI to step in.

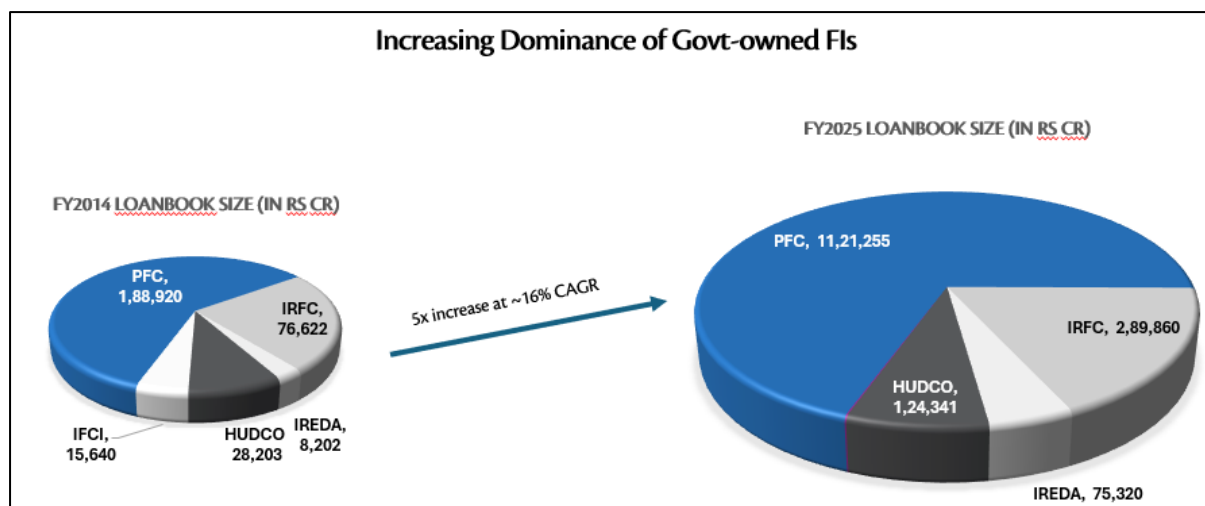


Exhibit 10 : Growth in size of Loanbook of PFC, IFCI, HUDCO, IREDA, IRFC
Source : Company Annual Reports

The data underscores this shift. The combined loan book of these five institutions expanded from ₹3.18 lakh crore in FY2014 to over ₹16.1 lakh crore by FY2025, a 5x increase with 15.92% CAGR in just over a decade. The most striking growth came from PFC, whose assets rose from ₹1.9 lakh crore in FY2014 to ₹11.2 lakh crore in FY2025. Upon consolidating with REC, it formed the largest NBFC group in the country. Similarly, IRFC's book tripled over the period, while IREDA scaled nearly 10x, riding on renewable energy financing. Even HUDCO, with its urban housing and infra focus, expanded fourfold. During the same period, IFCI's book has decreased from over ₹15000 crore to a negligible ₹1300 crore which was a planned survival measure. The institution has effectively stopped being a lender and is now focused solely on recovering from its past and transitioning to a new, non-lending business model.

The contrast is clear: while banks retrenched, government FIs aggressively scaled their books to keep infrastructure financing afloat.

Bankers' Second Act

After nearly a decade of stressed assets and weak profitability, Indian banks enter this cycle with clean balance sheets. Gross NPAs are at record lows, provision coverage ratios are strong, and capital adequacy across both public and private banks is well above regulatory requirements. In our Banking report³, we highlighted this turnaround is underpinned by a significant improvement in core profitability; profit before credit costs has grown at a 10-year CAGR of 11.5%, accelerating to an impressive 18.9% over the last five years.

³ OmniScience Capital, 2025. *INDIAN BANKING SECTOR: Blazing a growth trail for Indian Economy*. OmniScience Capital

Simultaneously, a concerted effort to clean up balance sheets has pushed asset quality to its best in two decades. With a high provision coverage ratio of 76.6%, Net Non-Performing Assets (NNPA) have fallen to a 20-year low of just 0.57%.

As of March 2024, the banking system maintains a robust Capital to Risk-Weighted Assets Ratio (CRAR) of 16.9%, significantly higher than the regulatory minimum of 11.5%. This substantial 5.4% capital buffer represents a massive, untapped reservoir for credit creation. We estimated banks have the potential to unlock an additional lending capacity of Rs 55 trillion, providing significant fuel for the impending capex cycle.

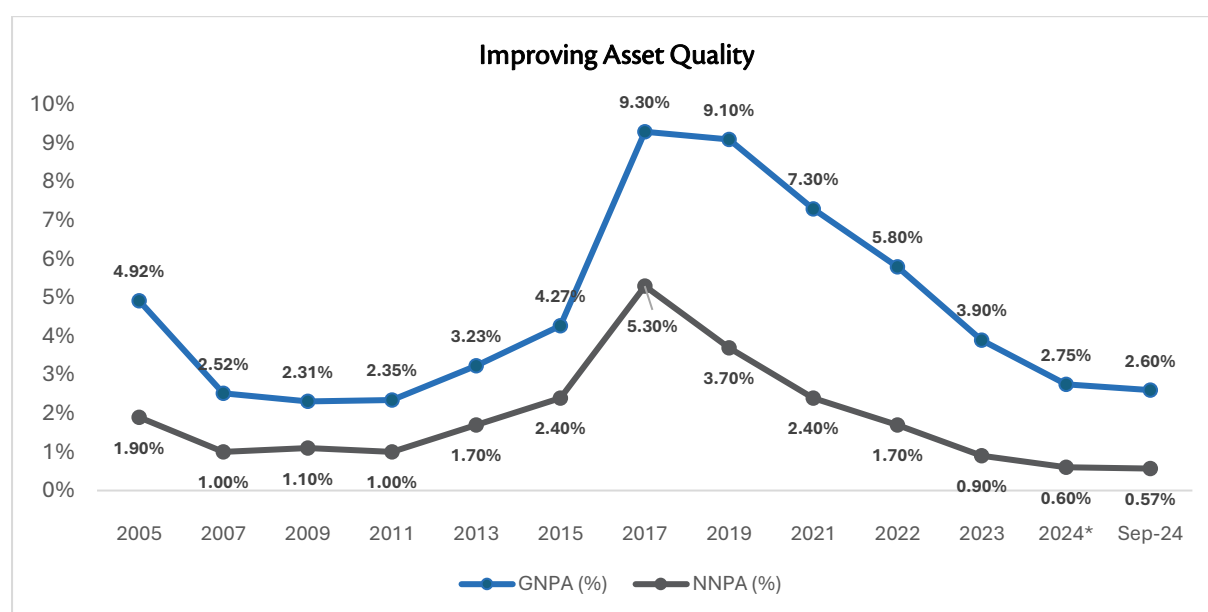


Exhibit 11 : Trends in Non Performing Assets of Scheduled Commercial Banks in India
Source : Reserve Bank of India

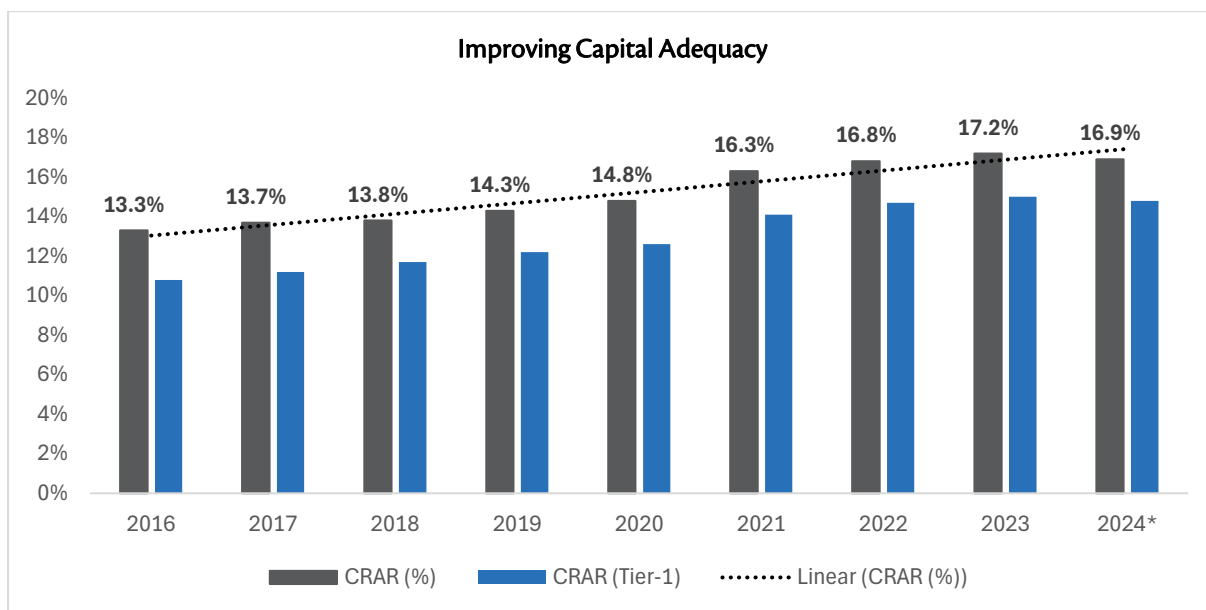


Exhibit 12 : Trends in Capital Adequacy of Scheduled Commercial Banks in India

Source : Reserve Bank of India

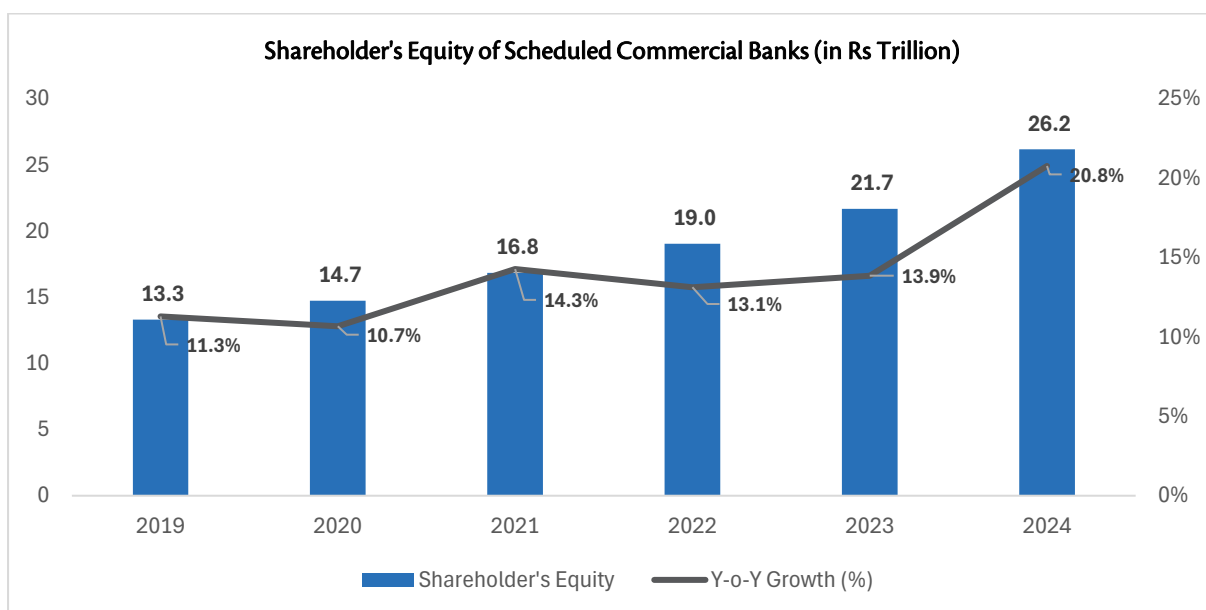


Exhibit 13 : Increasing Shareholder's Equity of Scheduled Commercial Banks in India

Source : Reserve Bank of India

Improving Monetary Policy Transmission

With the RBI pivoting to rate cuts and maintaining surplus liquidity, funding conditions are accommodative. Efficient policy transmission is evident in declining spread between the weighted average lending rate and the repo rate. It has dropped ~100bps from around 4% to around 3% between 2014 and 2025. This creates a supportive backdrop for corporates to tap credit once demand visibility improves.

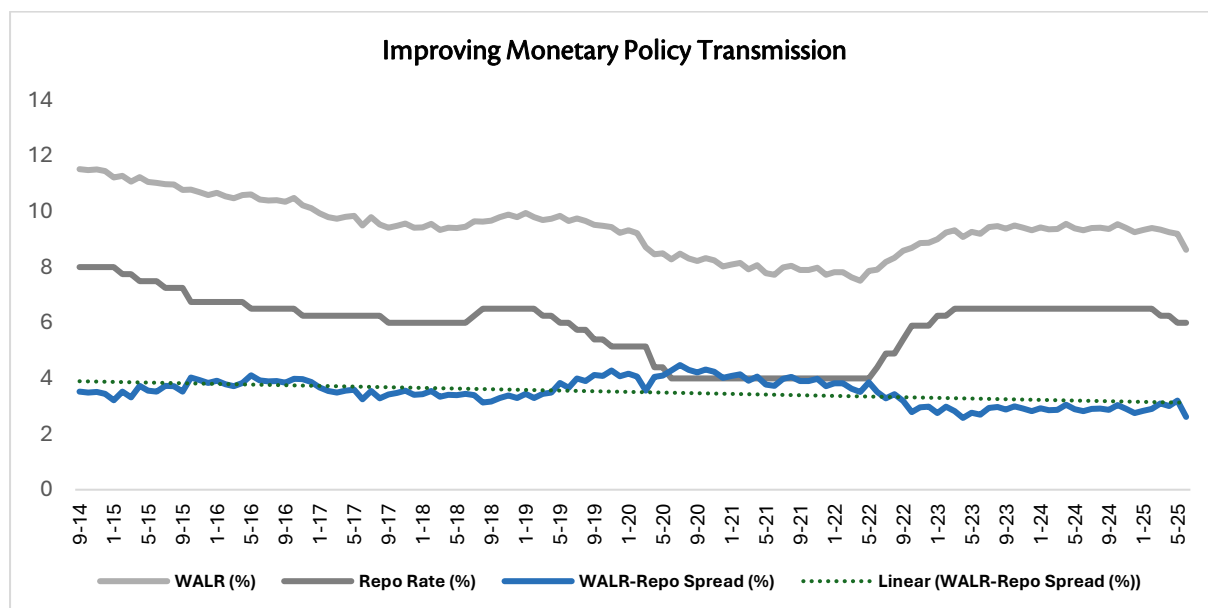


Exhibit 14 : Declining Spread between Repo rate and Weighted Average Lending Rate
Source : Reserve Bank of India

The adoption of digital banking and real-time credit analytics has sharply reduced operational risks and improved underwriting. This has strengthened confidence in banks' ability to fund a large-scale capex upcycle without repeating past excesses.

In short, yes, banks can deliver. With balance sheets now clean, banks have both the capacity and incentive to re-enter long-term project finance. That sets the stage for a competitive rebalancing in infra lending — one where banks could ride the next wave of growth, rather than sitting on the sidelines.

Demand Turns the Corner

The decade can be broken down into three distinct phases. The pre-pandemic era (FY15–19) was characterized by a steady but uninspiring grind. While revenues grew from ₹50.8 to ₹69.2 lakh crore, this was a period of high leverage where thin net margins of 6–7% reflected the burden of past excesses, leaving little room for earnings surprises.

The pandemic shock and whiplash recovery (FY20–22) was the true turning point. The initial revenue shock was severe, yet the earnings rebound was disproportionately strong. The reason was twofold: companies responded with system-wide cost-cutting, while the benefits of deleveraging slashed interest expenses. This created powerful operating and financial leverage, allowing net income to surge 58% in FY21 and 66% in FY22, far outpacing the revenue recovery.

However, the post-rebound normalization (FY23–25) exposed new challenges. The sharp revenue growth in FY22 and FY23 was largely a base effect, which quickly decelerated to single digits by FY25. Earnings became more volatile, even declining in FY23 despite strong sales. This was a classic case of margin compression, as soaring post-Ukraine commodity prices hit costs.

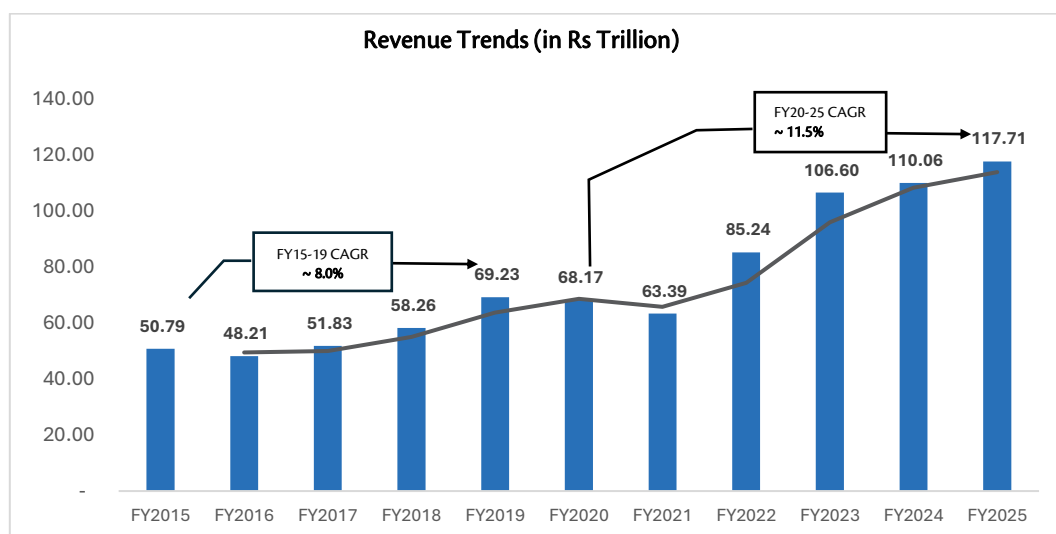


Exhibit 15 : Revenues of India Inc. from FY15-25

Source : OmniScience Insights Labs

The data shows corporates are now highly profitable, deleveraged, and efficient. While topline growth has normalized, we believe it is set to grow around 8%. The trajectory is complemented by a rationalised two-tier GST structure, reduction in income taxes (exemption upto ₹12.75 lakh) and a cycle of monetary policy rate cuts. Early signs of this already is visible in the strong Q1 FY26 where GDP grew by 7.8%. This demand acceleration is the catalyst needed to push capacity utilization above 75–80% threshold and compel companies to finally begin borrowing for capex.

Breaking Down the Capex Cycle: The Five Leading Sectors

After nearly a decade of deleveraging, margin recovery, and pandemic-induced disruptions, corporate balance sheets across key sectors⁴ are beginning to show signs of readiness for a fresh investment cycle, just as demand across key sectors begins to firm up. This section highlights the top five sectors most likely to drive the next wave of capital expenditure — tracking their leverage, asset utilization, profitability, and reinvestment trends over the last decade. Together, these indicators help identify which sectors are best positioned to lead the cycle from here. These five sectors represent over 80% of current debt levels of Corporate India.

The communication sector is excluded despite being significant contributor to outstanding debt because its debt is highly concentrated in a few operators like Airtel and Vi, making it an unrepresentative outlier. This extreme leverage stems from a legacy of costly spectrum auctions, a destructive price war triggered by Reliance Jio's entry, and crippling retrospective dues from the Supreme Court's AGR verdict. Including this skewed data would misrepresent the borrowing forecasts of the broader industry.

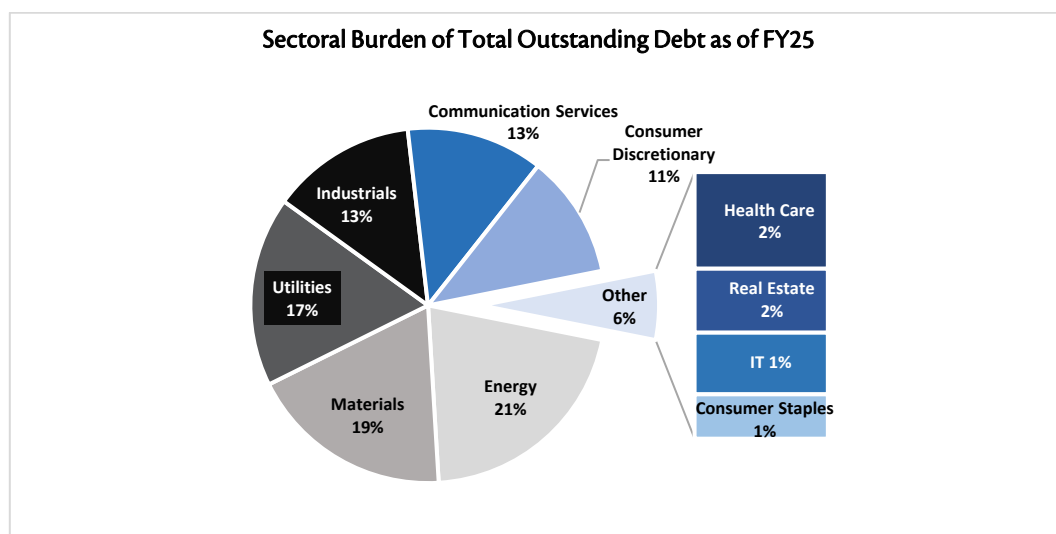


Exhibit 16 : Sectoral Burden of Total Outstanding Debt as of FY25

Source : OmniScience Insights Labs

⁴ Sectoral classification is based on the Global Industry Classification Standard (GICS)

Consumer Discretionary

The Consumer Discretionary sector is emerging as a potential capex leader in the coming years, supported by improving fundamentals. Leverage has come down sharply, with the debt-to-equity ratio declining from its peak of 1.03x in FY2020 to just 0.66x in FY2025, giving companies financial headroom to invest. Asset turnover, which dipped to 0.75x in FY2021 during the pandemic, has recovered to 0.99x in FY2025, close to pre-pandemic efficiency levels.

Similarly, net income margins rebounded from just 1.1% in FY2021 to 7.5% in FY2025, signalling that profitability is firmly back on track. This was driven by three primary forces. First, operating leverage, as surging revenues were spread across a fixed cost base that had been rationalized during the crisis. Second, a clear trend towards premiumization, which improved product mix and pricing power. Finally, the cost-discipline learned during the pandemic became embedded, thus improving profitability.

Revenue growth, which had swung widely — from 10.6% contraction in FY2020 to 25.9% growth in FY2023 — has now stabilized at 8% in FY2025, providing more predictable cash flow visibility. Importantly, early signs of a capex cycle are visible: change in average total assets has risen from 6.5% in FY2021 to 13.8% in FY2025, while capex-to-assets has increased from 4.3% to 6.2% over the same period. These shifts point toward the start of a sustained capex boom in the sector to meet the demands of the modern Indian consumer.

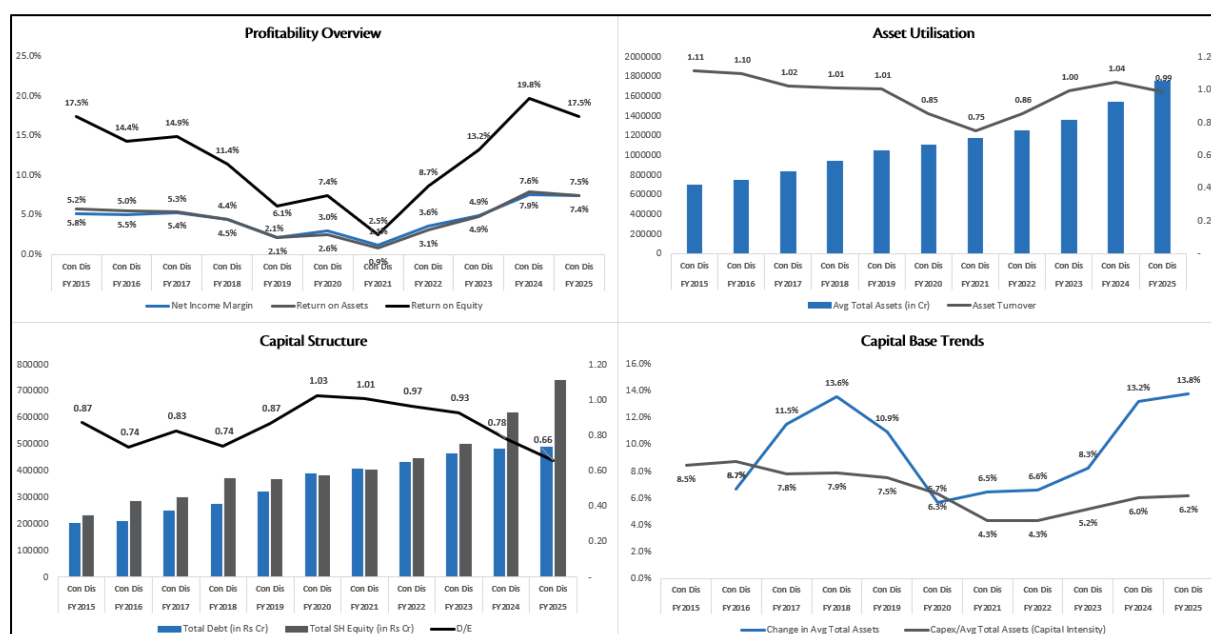


Exhibit 17 : Snapshot of financials of Consumer Discretionary Sector from FY15-25

Source : OmniScience Insights Labs

Energy

The Energy sector has emerged from a period of intense global volatility with remarkable financial discipline and operational stability, positioning it for the next critical phase of investment. The sector has strategically used the recent commodity upcycle to pare down debt using strong cash flows. Debt-to-equity ratio now at 0.52x in FY2025, well below pre-pandemic levels of around 0.65–0.69x, gives the sector balance sheet strength to fund expansion.

Profitability ratios have remained stable despite volatility in revenues — net income margins have held in the 4–7% range, while return on assets (ROA) has consistently hovered around 5–6%, and return on equity (ROE) has ranged between 10–16%. This is not accidental but a feature of its structure. The natural hedge provided by integrated business models—where strong upstream profits during high oil prices offset downstream pressures, and vice versa—smooths out earnings.

The asset turnover ratio of 0.93x reflects a gradual moderation as the sector's asset base has expanded following the post-pandemic recovery. The sector's vast infrastructure—refineries, pipelines, and processing plants—is operating at full capacity utilization. Average total asset growth, which had peaked around 12–13%, gradually eased to about 9% in recent years before showing signs of recovery. This rebound suggests a renewed pickup in capital spending and asset creation across the sector. Unlike other sectors that can wait for demand to improve, the energy sector must invest ahead of the curve to prevent future bottlenecks.



Exhibit 18 : Snapshot of financials of Energy Sector from FY15-25

Source : OmniScience Insights Labs

Layered on top of this are a series of non-negotiable strategic imperatives that broaden the scope and accelerate the urgency of this cycle:

- **The Green Transition:** The National Green Hydrogen Mission, which targets 5 MMTPA of production capacity by 2030, and the PM E-Drive scheme, to establish a nationwide EV charging grid, are forcing a massive capital reallocation.
- **Energy Security:** The national push for self-sufficiency is driving aggressive new exploration. ONGC and Oil India Limited are leading a renewed deep-water drilling campaign in the Andaman basin, a high-potential frontier. This is complemented by plans to expand India's Strategic Petroleum Reserves, with new facilities planned in locations like Mangalore to bolster the country's energy security buffer.
- **Strategic Diversification:** The definition of the energy sector itself is expanding. Coal India, as part of a national strategy for critical minerals, has been mandated to explore and mine the vast 5.9-million-tonne lithium reserves discovered in Jammu & Kashmir, which are essential for the battery and green-tech industries.

This is no longer a simple cyclical response to demand. The impending capex boom is a multi-pronged, policy-driven necessity, crucial for India's green, strategic, and economic future.

Industrials

The Industrials sector is flashing strong signals of entering a capex cycle. Leverage has improved, with the debt-to-equity ratio at 0.84x in FY2025, below the historical average range of 1.0–1.2x. Asset utilization is at its highest levels in the last decade, with asset turnover at 0.69x in FY2025, compared to 0.51–0.65x for most of the prior years. This is a direct result of sustained demand from government infrastructure spending and the initial green shoots of private capex.

As order books have filled, companies have regained pricing power for the first time in years, allowing net income margins to nearly double to 9.2% in FY2025 from the 4–6% range seen for most of the last decade. This combination of operating leverage and financial discipline has sent ROE soaring to a record 17%.

The relatively flat capex-to-average total assets ratio should not be viewed in isolation. When seen alongside the 13.1% growth in average total assets and a sharp 27.5% rise in sectoral debt in FY2025—one of the fastest expansions in recent years—it becomes clear that capital expenditure is already underway and corporate balance sheets are scaling up again.

Our previous report on the Manufacturing sector⁵ projected that the Industrials space was poised for robust growth exceeding 16%. India's manufacturing PMI signals exceptional strength and accelerating momentum. Since July 2021, metric has been consistently above 52 indicating resilient expansion. It hit a 17-year high of 59.3 in August 2025, meaning the pace of this expansion is now picking up significant speed.

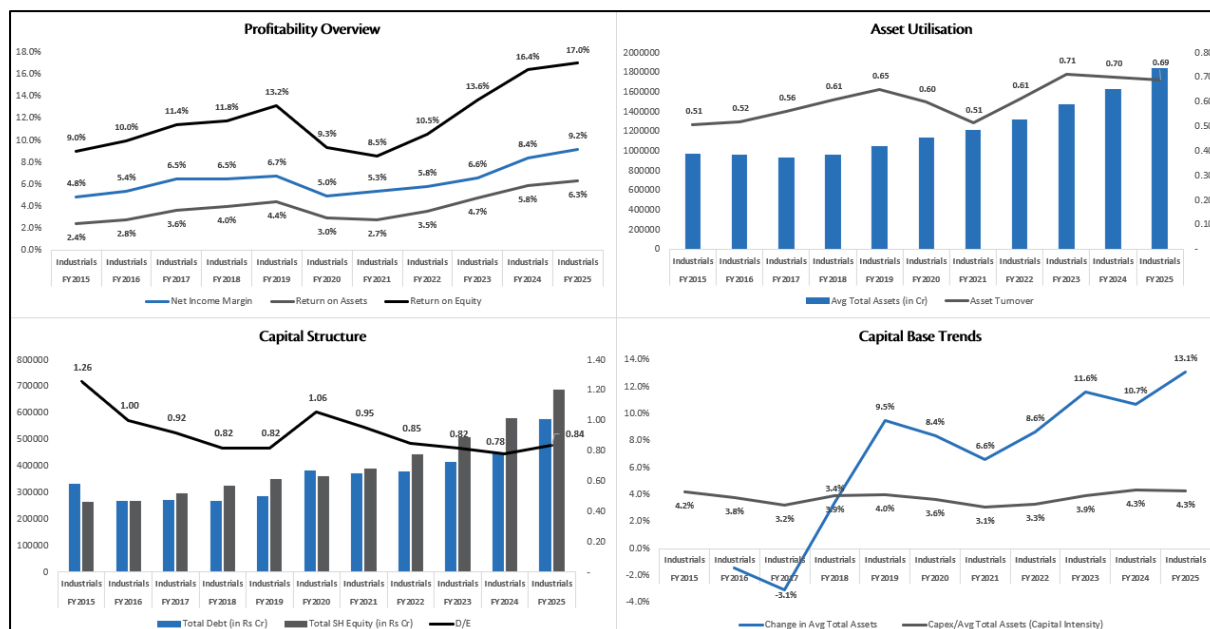


Exhibit 19 : Snapshot of financials of Industrials Sector from FY15-25

Source : OmniScience Insights Labs

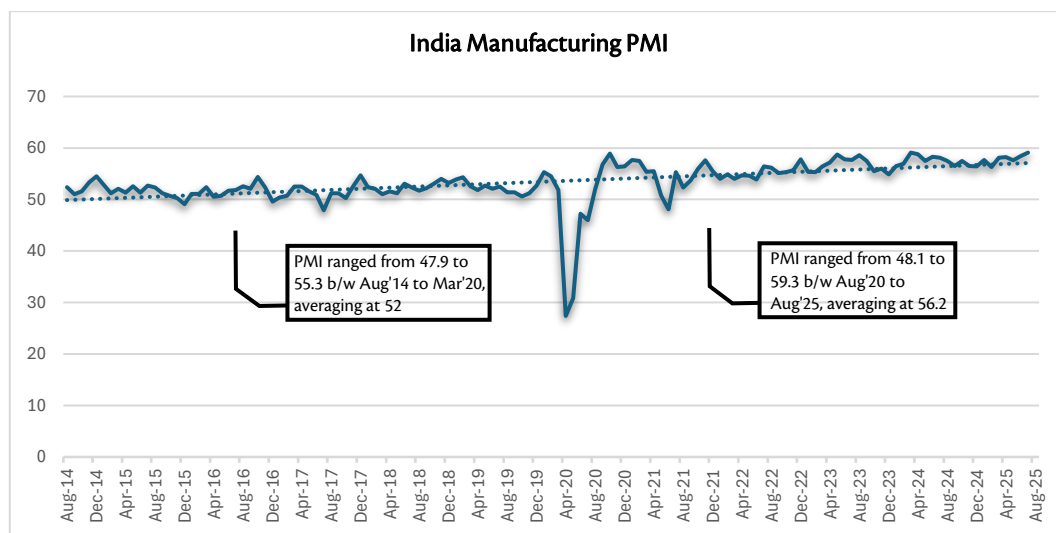


Exhibit 20 : India's manufacturing PMI over past 10 Years

Source : Trading Economics. "India Manufacturing PMI"

⁵ OmniScience Capital, 2025. *India's Manufacturing Revolution. Investing in the Next Phase of Amrit Kaal : \$3 Trillion Opportunity*. OmniScience Capital

Materials

The Materials sector is entering a stronger footing with a wave of industry consolidation⁶ has transformed the sector from a vulnerable price-taker to a functional oligopoly, no longer focused on survival at any cost. Leverage is at its lowest in a decade, with the debt-to-equity ratio down to 0.60x in FY2025 versus levels consistently above 0.9x in the pre-pandemic period. Asset utilization has improved, with asset turnover rising to 0.74x in FY2025, compared to the 0.55–0.65x range seen before the pandemic.

Profitability has also seen a structural step-up: net income margins are now in the 6–7% range post-pandemic, up from the thin 2–3% margins of FY2015–FY2016, while ROE has held close to 10–12% versus mid-single digits historically. Average total assets grew ~9% between FY2022-25, reflecting a balance sheet expansion in anticipation of growth.

While this deleveraging was a necessary consolidation phase, the Materials sector is fundamentally a capital-intensive, low-ROE business that historically relies on leverage to optimize returns. A gradual re-leveraging towards the historical norm of a 0.9x-1.0x debt-to-equity ratio is not just possible, but imperative.

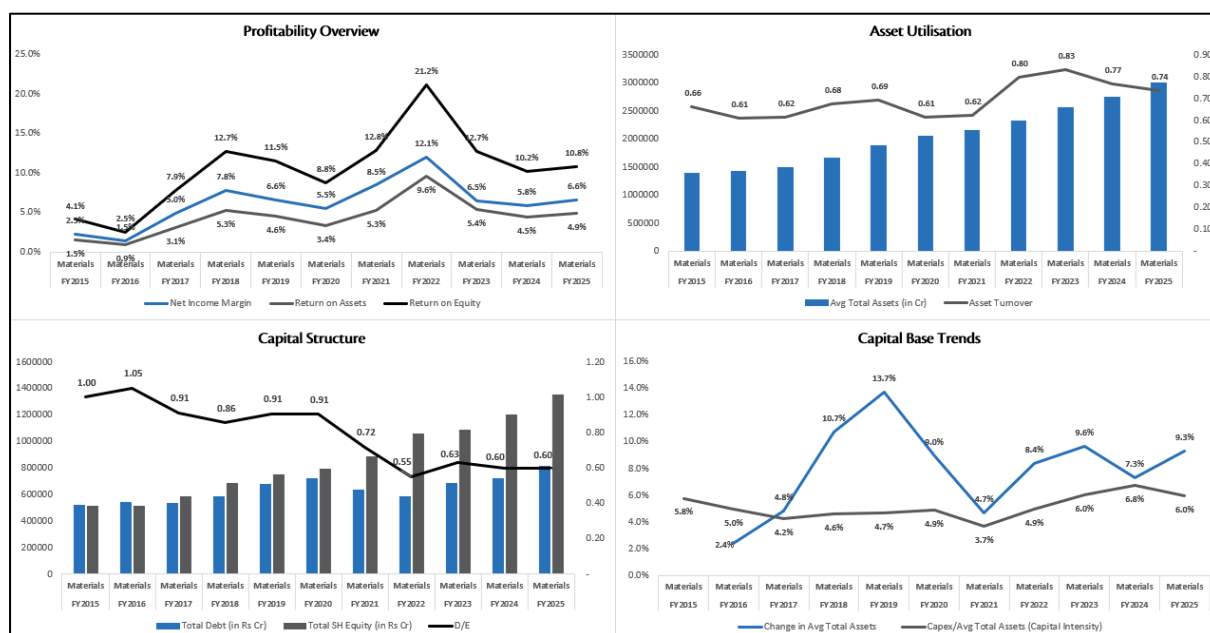


Exhibit 21 : Snapshot of financials of Materials Sector from FY15-25

Source : OmniScience Insights Labs

⁶ Key examples include the acquisition of Bhushan Steel by Tata Steel and Essar Steel by ArcelorMittal under the IBC, as well as the Adani Group's acquisition of Ambuja Cements and ACC, which significantly increased market concentration in the steel and cement industries, respectively.

The government's National Critical Mineral Mission has created a strategic mandate for PSUs like GMDC to move into rare-earth exploration and processing. While much of the high-grade mining for certain elements will remain international, India is positioning itself as a major processing and refining hub to counter global supply-chain risks. In November 2025, the Union Cabinet approved roughly ₹7,280 crore (~US\$800 million) package to build integrated rare-earth permanent-magnet (REPM) manufacturing capacity underscoring this push. This creates a significant opportunity for large incumbents with the capital and execution prowess required to establish critical mid-stream capabilities — potentially ushering in a new, technology-driven investment cycle for the sector.

Utilities

After years of being hampered by financial stress, a combination of decisive regulatory reforms and the national push for green energy has fundamentally transformed the sector's health and outlook. Leverage is at historically low levels, with the debt-to-equity ratio at 1.07x in FY2025, down from levels well above 1.4x through much of the past decade. Profitability has seen a structural step jump, with net income margins reaching 13.6% in FY2025 compared to 8–10% historically, while ROE has climbed back toward 14%.

Operationally, asset utilization is high, with asset turnover at 0.41x in FY2025, close to peak levels in the last decade. At the same time, average total assets expanded 9% in FY2025, while capex-to-assets rose to 9%, signaling that utilities are already scaling up investment capacity.

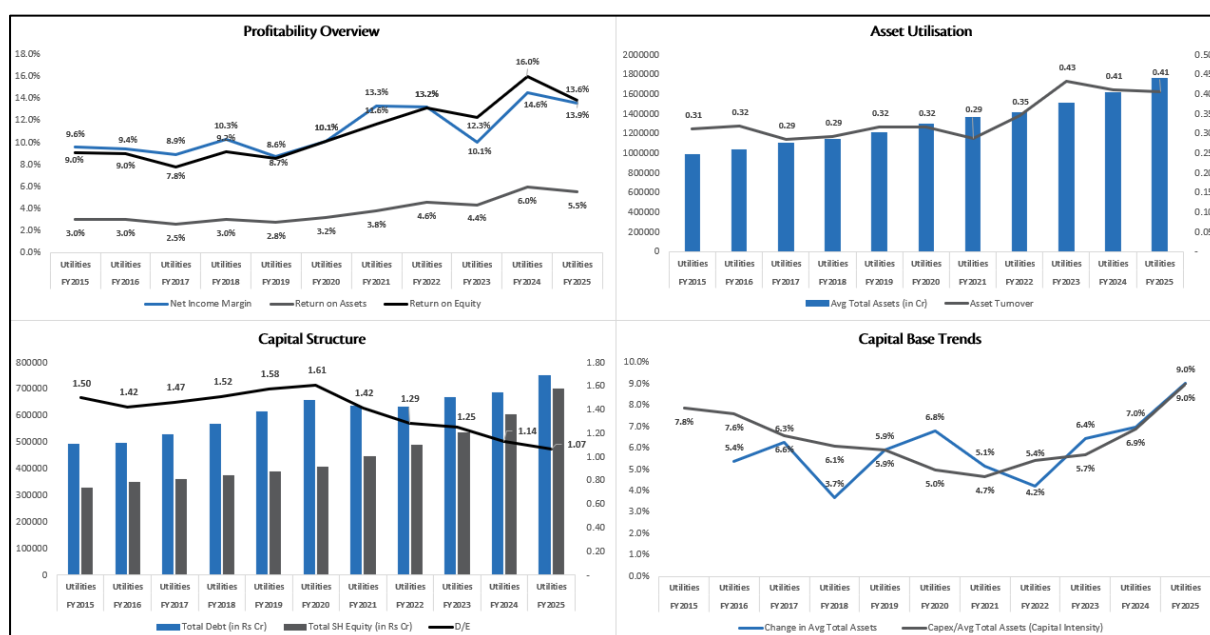


Exhibit 22 : Snapshot of financials of Utilities Sector from FY15-25

Source : OmniScience Insights Labs

The sector is facing a long non-discretionary capex cycle driven by India's ambitious Energy Transition goals, investments are inevitable across the value chain.

- Generation companies must pivot to new, green energy sources. NTPC, India's largest power generator, has announced an ambitious target of adding 60 GW of renewable capacity by 2032 to achieve net-zero emissions.
- Distribution companies are mandated to improve efficiency, requiring massive investment in smart meters and modernize the last mile of delivery.
- Transmission companies must invest heavily in smart grids, high capacity transformers and new lines to handle the intermittent nature of renewable power and ensure grid stability.

In our Power report⁷, we projected India's total power consumption to nearly triple to 4 trillion units by 2035, driven by a near-doubling of per capita use. New drivers like EVs, Data Centers, and Railways will emerge as significant consumers, while the Industrials sector's demand alone is set to exceed the nation's entire 2023 consumption. This exponential growth, led by the transport and commercial sectors, creates a massive demand pipeline. To meet this future, a sustained and significant capex cycle in the utilities sector is the most critical piece of the puzzle.

Building the Outlook: Forecasts and Methodology

With the capex cycle now clearly taking shape, the next phase of the recovery will inevitably reflect in funding patterns. Although we have not quantified the total capex requirement, rising balance sheet leverage and expanding asset bases already point to increased borrowing activity. Our projections therefore focus on how debt levels are likely to evolve, particularly benefiting banks and other credit intermediaries

To project this, our estimates are anchored on forward-looking D/E and Return on Equity (ROE) assumptions rather than relying on historical estimates. The last decade in Corporate India was anomalous marked by deleveraging, a pre-pandemic slowdown, and eroding profitability, which artificially suppressed returns across these key sectors. Using these backward-looking ROEs would underestimate the true investment potential in a new growth cycle.

⁷ OmniScience Capital, 2025. *Watt's The Future: India's 4 Trillion Unit Electricity Consumption by 2035*. OmniScience Capital

Based on our framework, across the top five sectors, incremental borrowing is expected to touch ~₹22.5 lakh crore over the next three years and ~₹34 lakh crore over the next five years in the base case. Of this, banks could account for ~₹11 lakh crore in three years and ~₹16.5 lakh crore in five years, implying a significant step-up in credit demand.⁸

In a more aggressive capex scenario, total incremental borrowing could surge to ~₹33 lakh crore over three years and ₹49.5 lakh crore over five years. Banks would capture the bulk of this growth, with lending projected at ~₹16.25 lakh crore (3Y) and ~₹24.20 lakh crore (5Y). Sectors such as Materials and Energy would lead the charge, together accounting for more than ₹13 lakh crore of bank lending over five years, reflecting their capital-intensive nature.

Even under a more muted investment environment, incremental borrowing would still reach ₹12.68 lakh crore in three years and ~₹20 lakh crore in five years. Banks would remain critical, funding ₹6 lakh crore (3Y) and ₹9.6 lakh crore (5Y) of this requirement. Importantly, the resilience of Utilities and Materials ensures that banks maintain a steady credit pipeline even in this downbeat case.

Since these five sectors represent nearly 80% of India Inc., the aggregate outlook shown earlier (in Exhibit 5) reflects the consolidated forecasts for these sectors, appropriately calibrated by the adjustment factor. This adjustment ensures that the aggregate borrowing outlook remains tightly aligned with the real structure and scale of Corporate India.

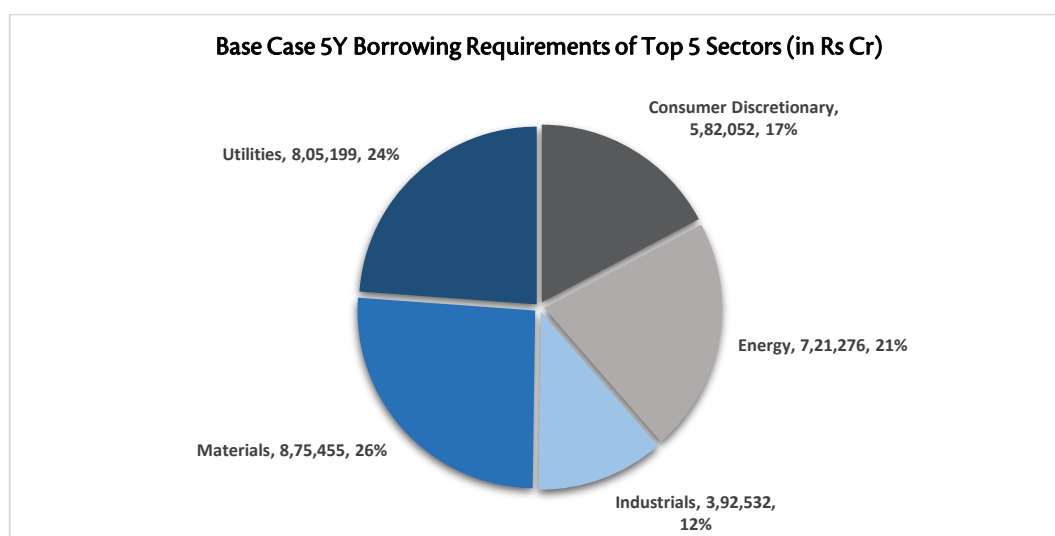


Exhibit 23 : Base case Forecast of 5Y Fresh Borrowings of Top 5 Sectors of India Inc.

Source : OmniScience Insights Labs

⁸ The assumed bank financing share for different sectors are derived from the historical financing patterns observed in our 770-company analysis cohort, which forms the basis for this report.

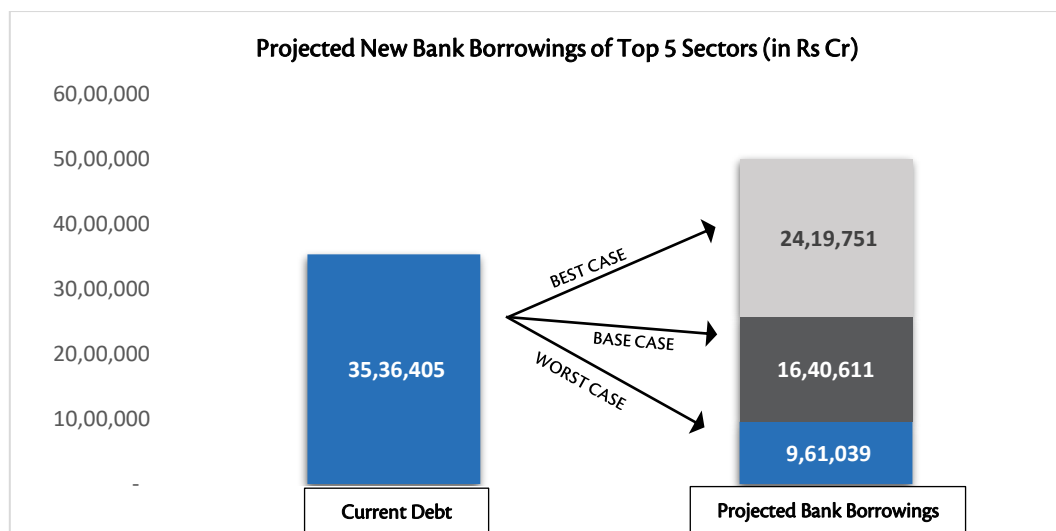


Exhibit 24 : Projections of Fresh Bank Borrowings of Top 5 Sectors of India Inc.
Source : OmniScience Insights Labs

BASE CASE							
(In Rs Cr)		Projected New borrowing		3 Year		5 Year	
Sectors	Current Total Debt	3 Year	5 Year	Bank	Non Bank	Bank	Non Bank
Consumer Discretionary	4,89,090	3,85,527	5,82,052	1,92,763	1,92,763	2,91,026	2,91,026
Energy	9,09,906	4,56,903	7,21,276	2,74,142	1,82,761	4,32,766	2,88,510
Industrials	5,74,914	2,15,032	3,92,532	86,013	1,29,019	1,57,013	2,35,519
Materials	8,10,110	6,39,771	8,75,455	3,19,885	3,19,885	4,37,727	4,37,727
Utilities	7,52,385	5,52,754	8,05,199	2,21,102	3,31,652	3,22,080	4,83,120
Total	35,36,405	22,49,986	33,76,514	10,93,905	11,56,081	16,40,611	17,35,902

BEST CASE							
(In Rs Cr)		Projected New borrowing		3 Year		5 Year	
Sectors	Current Total Debt	3 Year	5 Year	Bank	Non Bank	Bank	Non Bank
Consumer Discretionary	4,89,090	5,36,627	8,12,919	2,68,313	2,68,313	4,06,459	4,06,459
Energy	9,09,906	7,19,436	11,06,439	4,31,661	2,87,774	6,63,864	4,42,576
Industrials	5,74,914	3,25,863	5,68,501	1,30,345	1,95,518	2,27,400	3,41,101
Materials	8,10,110	9,82,198	13,51,562	4,91,099	4,91,099	6,75,781	6,75,781
Utilities	7,52,385	7,57,085	11,15,616	3,02,834	4,54,251	4,46,246	6,69,370
Total	35,36,405	33,21,208	49,55,038	16,24,253	16,96,955	24,19,751	25,35,287

WORST CASE							
(In Rs Cr)		Projected New borrowing		3 Year		5 Year	
Sectors	Current Total Debt	3 Year	5 Year	Bank	Non Bank	Bank	Non Bank
Consumer Discretionary	4,89,090	2,46,708	3,79,764	1,23,354	1,23,354	1,89,882	1,89,882
Energy	9,09,906	2,16,478	3,85,578	1,29,887	86,591	2,31,347	1,54,231
Industrials	5,74,914	1,12,658	2,36,992	45,063	67,595	94,797	1,42,195
Materials	8,10,110	3,27,749	4,64,093	1,63,874	1,63,874	2,32,046	2,32,046
Utilities	7,52,385	3,64,711	5,32,417	1,45,885	2,18,827	2,12,967	3,19,450
Total	35,36,405	12,68,304	19,98,844	6,08,063	6,60,241	9,61,039	10,37,805

Exhibit 25 : Scenario-wise Breakdown of Projections of Fresh Borrowings (as in Exhibit 23 & 24)

Source : OmniScience Insights Labs

The Fuel for the Fire

While the monetary backdrop is supportive, on the fiscal side, the government is acting as the counter-cyclical driver.

Capital expenditure in the Union Budget has seen a multi-year step-up, with allocations rising sharply in roads, railways, defence manufacturing, and clean energy. States account for nearly two-thirds of general government capital expenditure. The below analysis considers five-year capital outlay trajectories for the top five states viz Gujarat, Tamil Nadu, Maharashtra, Karnataka, and Uttar Pradesh together account for around half of India's GVA. Assuming capex-to-GVA proportions hold, the five-state capex trajectory can be roughly doubled to approximate the national picture. These investments not only build capacity but also crowd-in private sector participation across the value chain.

In our base case, the combined capital outlay by the Centre and top states is projected at nearly ₹126 lakh crore over the next five years. Using a conservative assumption that this crowds in private capex equivalent to 20% of the public spend, this translates into a potential ₹25 lakh crore private capex pipeline.

Given the strategic, often government-backed nature of these large-scale projects, lenders are likely to be more accommodative on leverage, permitting debt-to-equity ratios to approach 1x, especially during the initial build-out phase.

Under this assumption, approximately 50% of this new investment, or ~₹12.6 lakh crore, will need to be funded by debt. If banks successfully capture half of this market, it represents a foundational ~₹6.3 lakh crore in incremental demand for corporate credit over the next five years.⁹

This credit demand is robust even when considering different economic outcomes. In a best-case scenario, where public spending exceeds ₹133 lakh crore, the potential bank credit demand rises to ~₹6.7 lakh crore. Conversely, even in a more muted worst-case outcome with an outlay of ₹118 lakh crore, the model still points to a substantial ~₹6 lakh crore in fresh demand for bank credit.

This analysis shows that regardless of the specific scenario, the government's capex agenda provides a clear, multi-lakh crore pipeline for corporate credit growth. It is the definitive fuel for the fire, set to underpin the banking sector's loan books for the foreseeable future.

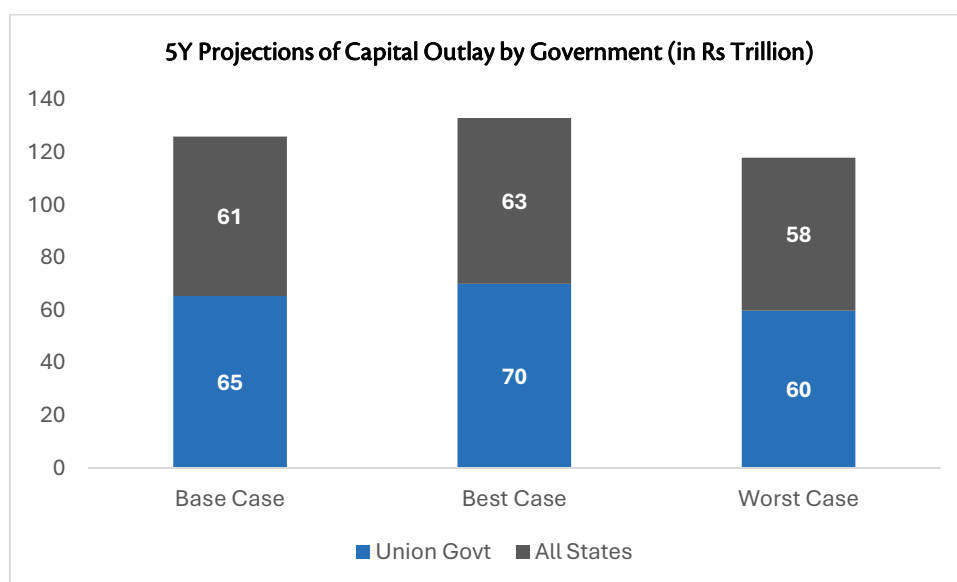


Exhibit 26 : Scenario-wise Projections of Capital Outlay by Government over next 5 years
Source : Budget Documents and OmniScience Insights Labs

⁹ The assumed 50% bank financing share are derived from the historical financing patterns observed in our 770-company analysis cohort, which forms the basis for this report.

Union Govt Capital Outlay Projections					
(in Rs Cr)	2025-26 (BE)	2026-27 (E)	2027-28 (E)	2028-29 (E)	2029-30 (E)
Base Case	8,95,246	11,03,515	12,97,095	15,07,492	17,35,687
Best Case	8,95,246	11,40,057	13,82,132	16,46,825	19,35,339
Worst Case	8,95,246	10,57,114	11,92,731	13,38,541	14,95,103

BASE CASE : 5 Year Capital Outlay Estimates for Top 5 States					
(In Rs Cr)	2025-26 (BE)	2026-27 (E)	2027-28 (E)	2028-29 (E)	2029-30 (E)
Gujarat	95,472	1,11,262	1,29,663	1,51,107	1,76,098
Tamil Nadu	57,231	63,696	70,891	78,898	87,810
Maharashtra	84,457	94,272	1,05,227	1,17,455	1,31,104
Karnataka	68,172	74,187	80,733	87,857	95,609
Uttar Pradesh	1,65,243	1,86,610	2,10,741	2,37,991	2,68,765
Total	4,70,575	5,30,027	5,97,254	6,73,308	7,59,387

Exhibit 27 : Breakdown of Projections of Capital Outlay by Government (as in Exhibit 26)
Source : Budget Documents and OmniScience Insights Labs

The Upside Is Not Priced In Yet

Despite the improving credit outlook, bank valuations remain undemanding. With profitability strengthening and credit growth set to accelerate toward 16% (best case) and 12% (base case) over the next 5 years, the current multiples do not fully reflect the scale of the coming lending cycle. This combination of cyclical tailwinds, balance-sheet strength, and still-reasonable valuations positions the sector for meaningful re-rating as the investment cycle gathers momentum.

Omni Capital Creators is well positioned to capture this emerging credit and capex upcycle. The portfolio combines strong fundamentals, solid growth, and still-undemanding multiples offers meaningful upside as the investment and credit cycle strengthens.

Particulars	Valuation Ratios		Fundamentals	
	P/E	P/B	2-Yr Fwd g	ROE
Bank Nifty	16.7	2.3	12.5%	13.7%
Omni Capital Creators	9.3	1.2	11.6%	13.3%

Exhibit 28 : Fundamentals and Valuation Metrics

The Flywheel is About to Spin

For the better part of a decade, the Indian economy has been a story of immense effort with frustratingly slow results. The period was defined by a series of deliberate, forceful pushes: corporate deleveraging, the painful cleanup of the Insolvency and Bankruptcy Code, the recapitalization of the banking system, and wide-ranging regulatory reforms. Each push was essential, yet for years, the wheel barely seemed to move.

That is now changing. These efforts have coalesced, and the key components for a self-sustaining growth cycle are finally aligned.

- The Corporate Sector is Lean & Clean: After a decade of deleveraging, balance sheets are the strongest they have been in a generation. Structurally higher profitability and improved efficiency mean companies are no longer repairing the past but are ready and able to invest in the future.
- The Banking Sector is Primed & Capitalized: The "twin balance sheet" crisis is over. With fortress-like balance sheets, multi-year low NPAs, and historic high capital adequacy, banks have transformed from a systemic risk into a powerful engine, ready to fund the next wave of expansion.
- The Government is Providing the Decisive Push: The final, powerful shove comes from the government's massive capex program. The projected outlay of nearly ₹96 lakh crore over the next five years is not just a stimulus; it is the catalyst that creates a tangible ~₹4.5 lakh crore private credit demand pipeline, directly connecting healthy corporates with healthy lenders.

The scale of the coming cycle is now clearer. Adjusting for total corporate debt (listed + unlisted), borrowing is projected at ₹92.6 lakh crore (3 years) and ₹138.9 lakh crore (5 years) in the base case. In the best case, this rises sharply to ₹136.7 lakh crore (3 years) and ₹203.9 lakh crore (5 years), reflecting a deeper and more broad-based investment surge.

Banks sit at the center of this shift, potentially capturing ₹45 lakh crore (3 years) and ₹67.5 lakh crore (5 years) in the base case, and ₹66.80 lakh crore (3 years) and ₹99.50 lakh crore (5 years) in the best case. Based on RBI's FY2024 corporate credit stock, this implies a corporate credit CAGR of 13.7% (3 years) and 12.3% (5 years) in the base scenario, rising to 16–19% in the best case — a decisive break from the near-stagnation of the previous decade.

After a long winter of balance sheet repair and risk aversion, the Indian banking sector is now poised for a golden era of sustained, high-quality growth. The challenges of the past decade have forged a stronger, more resilient system, and for the first time in years, all the major drivers of credit expansion are perfectly aligned in its favour.

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Contact Us:

Omniscience Investment Adviser, Division of Omniscience Capital Advisors Pvt. Ltd.

info@omnisciencecapital.com | www.omnisciencecapital.com

Address: Awfis | 1st Floor | B Wing | Parinee Crescenzo | G-Block | BKC | Mumbai - 400051 Ph.: +91 90045 60540

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