

Monthly Research Compendium

MAY 2026

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The Research Compendium is a compilation of some of ICRA's key research reports released in the previous month.

The ICRA Research Compendium offers a summary of some of the most thought-provoking research reports published during the month



Each slide communicates key excerpts from the respective reports through charts and tables

Follow the link in the caption of each slide to access the detailed report on ICRA's website

ICRA's sectoral outlook as of April 2026

Banking: RBI releases final ECL framework; impact on banks' capitalisation profile likely to be moderate

Banking: RBI's final directions on capital charge for credit risk indicate capital release for banks and push for increased lending to MSMEs

Cross sectoral trends and outlook: Despite a moderation in project addition in FY2026, the NIP pipeline value remained elevated















Economy: West Asia crisis, weak monsoon forecast dampen outlook for investment activity in FY2027

































Insurance: Tailwinds support growth in challenging environment

State Finances: Gross SGS issuance projected at Rs. 13.4-14.0 trillion in FY2027

Structured Finance: Securitisation scales new peak of Rs. 2.5 trillion in FY2026, projected to rise to Rs. 2.6-2.7 lakh crore in FY2027

Structured Finance: IBC (Amendment) Act, 2026 aims to strengthen admission discipline; introduces creditor-initiated resolution mechanism

 Positive	
	Capital goods
	Defence
	Hospitals
 Negative	
	Power – Distribution
	Chemicals (basic)
	Chemicals (petrochemicals)
	Cut & polished diamonds
	NBFC-Microfinance institutions (NBFC-MFI)
	Paper - Printing and writing paper
	Airlines
	Fertilisers
	Refining and marketing

 Stable					
	Construction & construction equipment		Tyres		Retail (fashion)
	Cement		Renewable energy/Power transmission/Thermal		Insurance (life & general)
	Ferrous metals		Upstream oil & gas		Airport infra
	Non-ferrous metals		Oil & gas		IT services
	Roads & road logistics		Gas utilities		Telecom services
	Real estate – Residential, commercial & retail		Ports		Telecom towers
	Jewellery – Retail		Pharma		Chemicals (speciality)
	Brokerage		Sugar		Banks
	Automobile & automobile dealership		Bulk tea		NBFCs (infra, retail NBFCs, HFC) & SFB
	Auto components		Textile (apparel exports)		
	Hotels		Media – Broadcasting		

Note: NBFC - Non-Banking Financial Companies

Banking: RBI releases final ECL framework; impact on banks' capitalisation profile likely to be moderate

Exhibit: ECL floors under draft directions

Loan product*	Stage 1 floor	Stage 2 floor
Corporate loans	0.40%	5.00%
Secured retail loans	0.40%	5.00%
Small and micro enterprises (SME)	0.25%	5.00%
Medium enterprises	0.40%	5.00%
Home loan (HL)/Loan against property (LAP)	0.40%	1.50%
Unsecured retail loans	1.00%	5.00%
Loan against fixed deposits (FDs)	0.40%	0.40%
Gold loans	0.40%	1.50%
Credit equivalents for off-BS exposures	0.40%	5.00%
Farm loans	0.25%	5.00%
Others	0.40%	5.00%

*Under current IRAC norms, most of the product segments carry a provision requirement of 0.40% except for SME, HL/LAP and farm loans at 0.25%, commercial real estate (CRE) at 1.0% and CRE (residential) at 0.75%

Source: RBI; BS – Balance sheet

- The final framework has retained the floors for most product segments as outlined in the draft guidelines, while adding more categories explicitly.
- Compared to the existing Income Recognition, Asset Classification and Provisioning (IRAC) norms (for standard assets), the stated minimum provisioning requirements are largely similar for Stage 1 but higher for Stage 2. The major impact will be on Stage 2 assets as most are currently a part of standard assets, attracting lower provisioning requirements than specified floors. However, some loan products, like unsecured retail and commercial real estate, would carry higher ECL floors in Stage 1 as well vis-à-vis the current norms.
- Thus, the overall provisions for Stage 1 and Stage 2 are likely to increase from the current standard asset provisions. Nevertheless, the floors specified do not seem to be very high, as NBFCs usually carry higher provisions, as the typical borrower profile of banks tends to be better than NBFCs.

Source: RBI

Exhibit: ECL floors under final directions – More elaborative than draft

Loan product	Stage 1 floor	Stage 2 floor
Corporate loans	0.40%	5.00%
Secured retail loans	0.40%	5.00%
SME	0.25%	5.00%
Medium enterprises	0.40%	5.00%
HL/LAP	0.25%	1.50%
Loan to banks, NBFCs and other regulated FIs	0.40%	5.00%
Loan against term deposits, LIC policy, KVP	0.40%	0.40%
Direct exposure to Central Government and exposures guaranteed by state government	0.40%	2.50%
Exposures guaranteed by Central Government	0.25%	0.25%
Unsecured retail loans	1.00%	5.00%
Gold loans	0.40%	1.50%
Farm credit for agricultural activities	0.25%	5.00%
Others	0.40%	5.00%

Credit equivalents for off-BS exposures will be as applicable to corresponding loan product category after applying credit conversion factor (CCF)

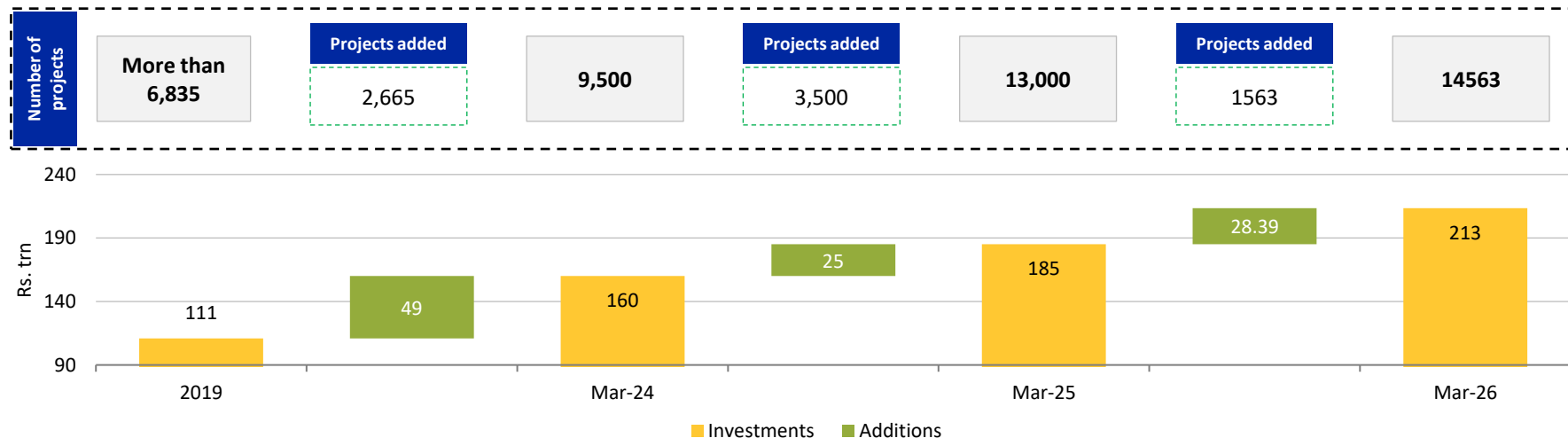
Source: RBI; KVP – Kisan Vikas Patra; FIs – Financial institutions

Banking: RBI's final directions on capital charge for credit risk indicate capital release for banks and push for increased lending to MSMEs

Exposures	Corporates including NBFCs – Long-term exposures	Corporates including NBFCs – Short-term exposures	ICRA's comments																								
Current Regulations	Base risk weights, as per external rating category of counterparty	Base risk weights, as per external rating category of counterparty	<ul style="list-style-type: none"> No changes have been made to the corporate exposure risk-weight framework in the final directions compared to the draft. Lowering of risk weights for entities rated in AA, BBB and BB rating categories will lead to lower capital being set aside for these exposures. On a short-term scale, only A1 ratings will see change, attracting a lower risk weight. However, as per the short-term rating mapping with long-term ratings, the variation across the rating categories has increased. The draft guidelines brought this up and the RBI retained it in the final directions. For instance, A3 rating maps to the BBB rating category; however, the risk weights applicable to these two categories are different. 																								
	<table border="1"> <thead> <tr> <th>AAA</th> <th>AA</th> <th>A</th> <th>BBB</th> <th>Below BBB</th> <th>Unrated</th> </tr> </thead> <tbody> <tr> <td>20%</td> <td>30%</td> <td>50%</td> <td>100%</td> <td>150%</td> <td>100%</td> </tr> </tbody> </table>	AAA		AA	A	BBB	Below BBB	Unrated	20%	30%	50%	100%	150%	100%	<table border="1"> <thead> <tr> <th>A1+</th> <th>A1</th> <th>A2</th> <th>A3</th> <th>A4 & D</th> <th>Unrated</th> </tr> </thead> <tbody> <tr> <td>20%</td> <td>30%</td> <td>50%</td> <td>100%</td> <td>150%</td> <td>100%</td> </tr> </tbody> </table>	A1+	A1	A2	A3	A4 & D	Unrated	20%	30%	50%	100%	150%	100%
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Cross sectoral trends and outlook: Despite a moderation in project addition in FY2026, the NIP pipeline value remained elevated

Exhibit: NIP projects and investment coverage

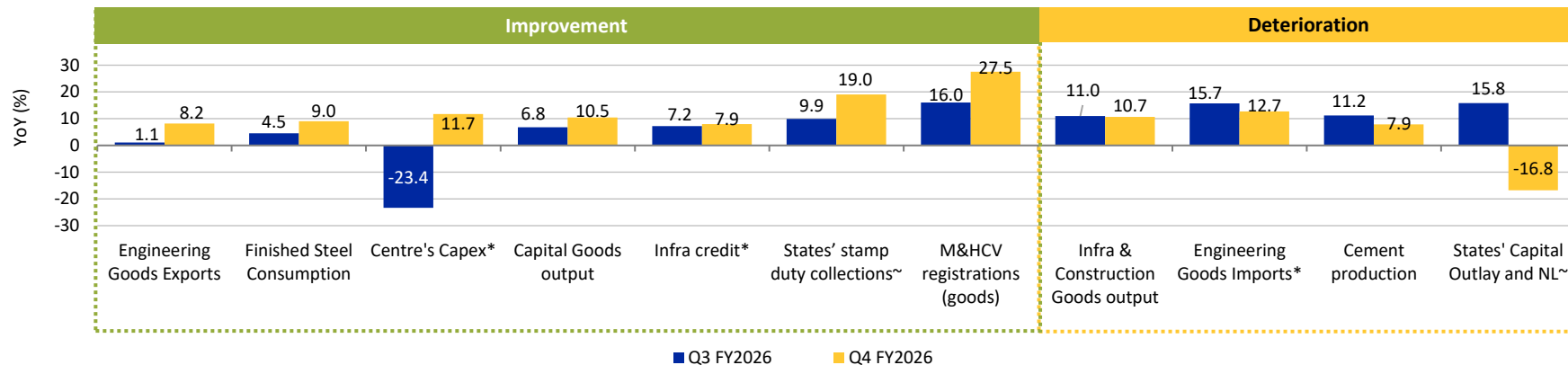


- The National Infrastructure Pipeline (NIP), initiated in 2019 with approximately 6,835 projects and an investment of around Rs. 111 trillion, has expanded to include nearly 7,728 additional projects. Consequently, the projected investment increased by about 92%, reaching nearly Rs. 213.4 trillion by March 2026.
- Although the total number of projects added in FY2026 was 1,563, which is half of the addition in FY2025, the investment value of these projects was higher by 14% compared to the previous year, reflecting the inclusion of more high-value projects.

Source: India Investment Grid, ICRA Research

Economy: West Asia crisis, weak monsoon forecast dampen outlook for investment activity in FY2027

Exhibit: YoY performance of investment-related indicators in Q4 FY2026 vis-à-vis Q3 FY2026



~States' capital outlay and stamp duty collections data is for 23 states during Jan-Feb 2026 excluding Arunachal Pradesh, Bihar, Goa, Manipur, and Nagaland; YoY growth for infra credit has been taken as per outstanding data at end of a quarter; NL: Net lending; *Data available only till February 2026; Source: NSO; JPC; MoRTH; RBI; CGA; Ministry of Commerce and Industry, GoI; CEIC; ICRA Research

- The YoY performance of seven of the 11 investment-related indicators improved in Q4 FY2026 vis-à-vis Q3 FY2026, including finished steel consumption, stamp duty collections of state governments, capital goods output (largely driven by machinery and equipment), infrastructure credit, and engineering goods' exports. Moreover, the Centre's capex expanded by ~12% YoY in January-February 2026, as against the 23.4% contraction in Q3 FY2026.
- Conversely, the YoY growth in engineering goods imports, infrastructure/construction goods and cement output decelerated in Q4 FY2026 vis-à-vis Q3 FY2026, albeit remaining quite healthy. However, states' capital outlay and net lending (data available for 23 states up to February 2026) declined sharply in January-February FY2026, in contrast with the expansion witnessed in Q3 FY2026.

Insurance: Tailwinds support growth in challenging environment

Exhibit: GDPI to grow to Rs. 3.56-3.59 trillion in FY2027

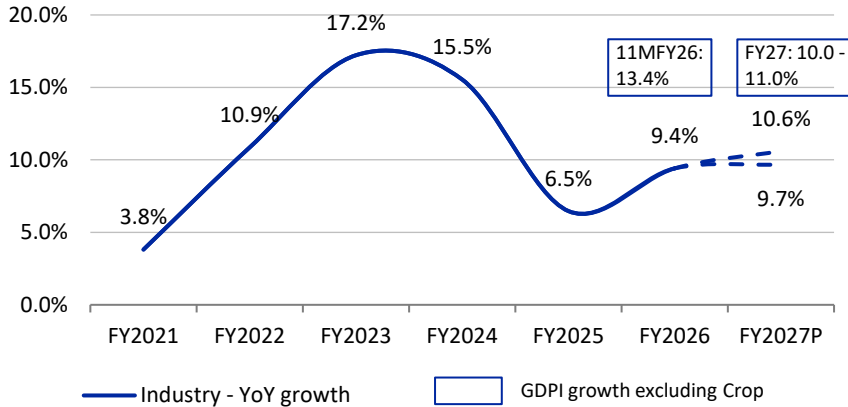
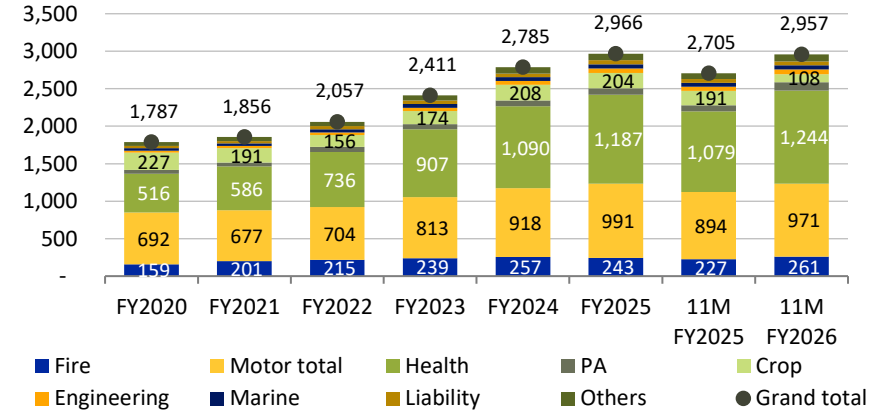


Exhibit: Health segment continues to drive GDP growth



Source: ICRA Research, GI Council, IRDAI; Industry excluding ECGC and AIC; Note: Amount in Rs. billion

- ICRA expects industry GDP to rise to Rs. 3.56-3.59 trillion in FY2027.
- The growth in FY2026 was supported by the low base of FY2025 and GST relaxations. This was partly offset by the impact of 1/n regulations on long-term policies, which weighed down on H1 FY2026 performance, and the sharp decline in crop insurance.
- GDP is projected to increase at a stronger pace in FY2027, with health insurance as the primary growth driver. An upward revision in Motor-TP pricing could further support GDP growth and the underwriting performance.
- The crop segment witnessed a sharp decline in 11M FY2026 and remains tender-driven.

State Finances: Gross SGS issuance projected at Rs. 13.4-14.0 trillion in FY2027

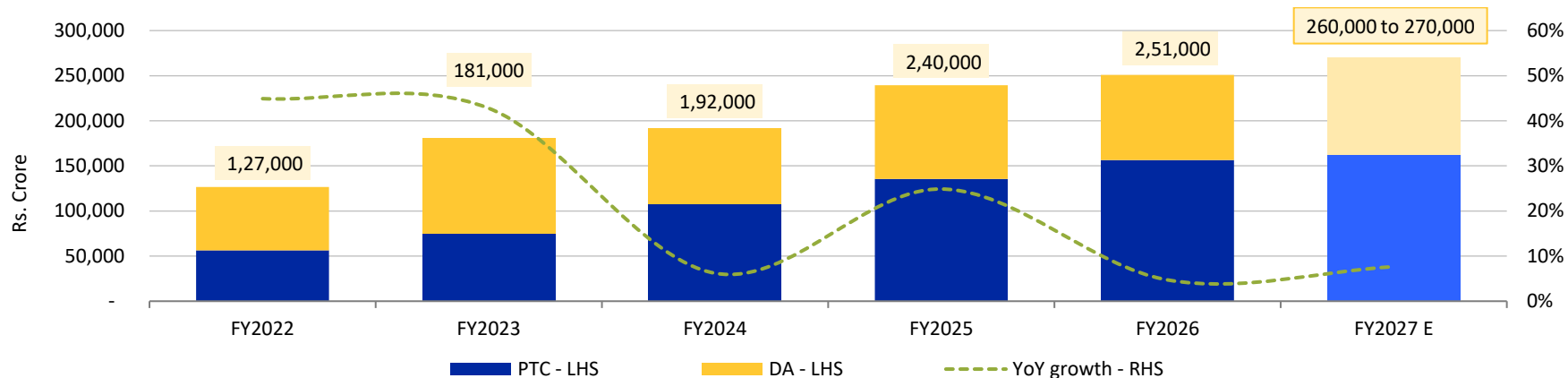
Exhibit: Net and gross SGS issuance expected for FY2027

Amount in Rs. Trillion	FY2026	FY2027		YoY Growth	
		Scenario I	Scenario II	Scenario I	Scenario II
Net	9.0	9.2	9.7	1.4%	7.8%
Redemptions	3.7	4.2	4.2	13.3%	13.3%
Gross	12.8	13.4	14.0	4.9%	9.4%

- SGS issuance in recent years have been highly back-ended with 40–41% of the annual borrowings concentrated in Q4 during FY2023–FY2026. In line with these trends displayed in recent years, we expect the SGS issuances in FY2027 to remain back-ended as well.
- Based on ICRA’s estimate of FY2027 GDP, we have forecast the aggregate net borrowing limit of the state governments at Rs. 11.5 trillion for FY2027.
 - **Scenario I:** If 80% of the net borrowing limit of Rs. 11.5 trillion is utilised by the states for funding their deficits through SGS, the net issuance would be Rs. 9.2 trillion in FY2027, a mild 1.4% higher on a YoY basis (Rs. 9.0 trillion in FY2026). ICRA estimates the SGS redemptions to rise by ~13% to Rs. 4.2 trillion in FY2027 from Rs. 3.7 trillion in FY2026. This implies that the gross SGS issuance at Rs. 13.4 trillion, 4.9% higher from FY2026 (Rs. 12.8 trillion).
 - **Scenario II:** Alternatively, if 85% of the estimated aggregate net borrowing limit (Rs. 11.5 trillion) is utilised by the states for funding their deficits through SGSs, the net issuance would increase by 7.8% on a YoY basis to Rs. 9.7 trillion in FY2027 from Rs. 9.2 trillion in FY2026. This implies that the gross SGS issuance would step up by 9.4% to Rs. 14.0 trillion from Rs. 12.8 trillion in the same period.

Structured Finance: Securitisation scales new peak of Rs. 2.5 trillion in FY2026, projected to rise to Rs. 2.6-2.7 lakh crore in FY2027

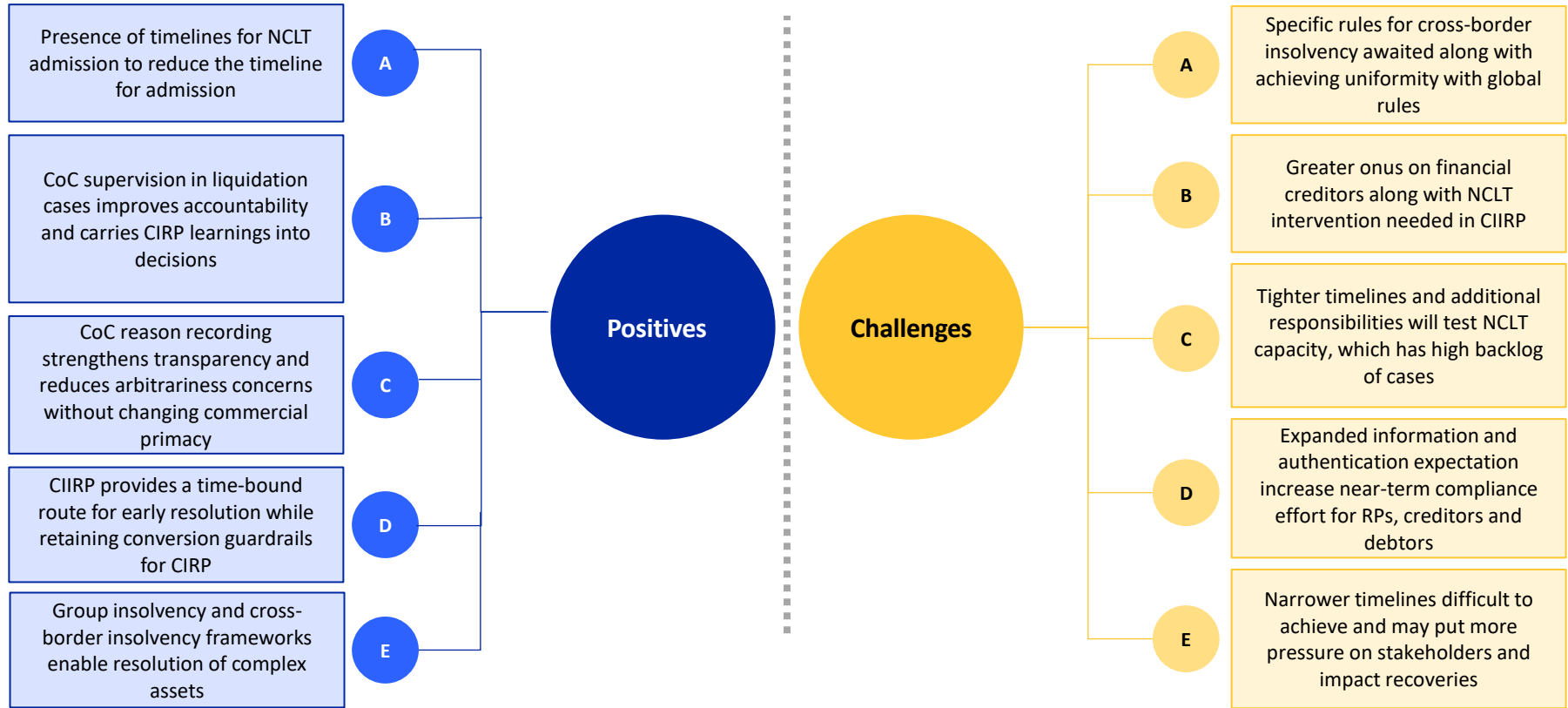
Exhibit: Securitisation market volume (PTC & DA)



Source: ICRA Research

- As per ICRA estimates, the overall securitisation volumes increased by ~5% YoY to Rs. 2.5 lakh crore in FY2026. Volumes in FY2026 were supported by a few high-ticket corporate transactions, unlike FY2025, when the same were mainly driven by issuances from large banks.
- NBFCs and HFCs, the traditional originators, recorded strong growth, with securitisation volumes rising to Rs. 2.2 lakh crore in FY2026 from Rs. 1.7 lakh crore in FY2025. Excluding transactions by two large corporate entities, the overall securitisation volumes in FY2026 declined by ~4% YoY. Nonetheless, securitisation by traditional participants (NBFCs and HFCs) grew by ~30% in FY2026 over the previous year.
- Outlook: Based on FY2026 trends, ICRA expects securitisation volumes to expand by 15-20% to Rs. 2.6-2.7 lakh crore in FY2027, primarily supported by the expanding scale of operations of NBFCs and HFCs, along with improving asset quality and stronger credit discipline, following various regulatory measures.

Structured Finance: IBC (Amendment) Act, 2026 aims to strengthen admission discipline; introduces creditor-initiated resolution mechanism





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Analytical Contact Details

Name	Designation	Email	Contact Number
Aditi Nayar	Chief Economist, Head – Research and Outreach	aditin@icraindia.com	0124 - 4545 385
Madhura Nejjur	Assistant Vice-President	madhura.nejjur@icraindia.com	022 - 6114 3417
Rakesh Thakur	Deputy Manager	rakesh.thakur2@icraindia.com	0124 – 4545 325





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Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Sai Krishna	Head - Research Sales and Investor Connect	sai.krishna1@icraindia.com	9840774883
Rohit Gupta	Head Business Development – Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – East	vinita.baid@icraindia.com	033-65216801
Shivam Bhatia	Head Business Development – Corporate Sector – North & South	shivam.bhatia@icraindia.com	0124-4545803
Sanket Kulkarni	Head Business Development – Corporate Sector – West	sanket.kulkarni@icraindia.com	022-6169 3365
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860





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