



MSME PULSE

DECEMBER 2025



TRANSUNION CIBIL

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FOREWORD

The MSME Pulse Report for the period ending December ' provides a consolidated view of lending activity, combining data from both commercial enterprises and individuals who have taken business-oriented loans in their personal capacity. These individual loans are reported in the consumer bureau, making this approach a significant departure from previous editions that focused exclusively on commercial bureau data. The shift reflects an understanding of the need for a more holistic perspective on credit flows. By including business-oriented loans captured in the consumer bureau, the report now offers a broader and more accurate representation of lending patterns. This integration ensures that the analysis covers all relevant segments contributing to the MSME credit ecosystem. It acknowledges that individuals often borrow for business purposes under personal profiles, which was previously overlooked. The inclusion of such data enhances transparency and depth in assessing credit supply. Ultimately, this comprehensive approach provides stakeholders with a unified view of MSME financing trends.

Further, the credit exposure limit for the portfolio has been increased to ₹100 crores from ₹50 crores. This change aligns with the revised MSME classification guidelines introduced in April 2025. Previously, the classification defined Micro, Small and Medium enterprises based on credit exposure limits of up to ₹1 crore, ₹1 crore to ₹10 crores, and ₹10 crores to ₹50 crores respectively. Under the new guidelines, these thresholds have been significantly expanded. Micro enterprises are now classified as those with exposure up to ₹2 crores. Small enterprises fall within the range of ₹2 crores to ₹20 crores. Medium enterprises are defined as those with exposure between ₹20 crores and ₹100 crores. This revision reflects the evolving scale and financial requirements of businesses in the MSME sector. By adopting these updated limits, the report ensures consistency with official standards. It also provides a more accurate representation of credit distribution across the MSME landscape.

To maintain consistency with the borrower exposure segments on the Commercial entity based loans, individual borrowers with commercial loans were also considered having overall exposure up to 100 Cr (only considering business oriented loans including Business loan, commercial vehicle, commercial equipment and loan against property).

Through detailed data and insights, the MSME Pulse Report aims to inform stakeholders and policymakers about the critical trends and developments shaping the MSME lending landscape. This edition specifically highlights following points-

- Combined view of Commercial lending to MSMEs and business loan to Individuals reported in personal capacity
- SME Cluster study focuses on large and high growth districts within Manufacturing sector with a granular analysis
- Review of closed commercial loans entities to identify scope of re-integration and potential expansion

EXECUTIVE SUMMARY

Expanded Coverage of India's MSME Credit Landscape

Beginning with the September 2025 edition, the MSME Pulse report has expanded its analytical scope to present a more comprehensive view of India's MSME credit ecosystem. The enhanced coverage places greater emphasis on smaller, individually run enterprises across the country. In line with revised regulatory classifications, the credit exposure threshold has been raised to ₹100 crore, enabling the inclusion of enterprises with turnover of up to ₹500 crore and fixed assets of up to ₹125 crore.

Formal Credit Penetration Strengthens, Yet Significant Headroom Remains

As of December 2025, India had 7.7 crore Udyam registered enterprises, of which around 3.6 crore were credit active borrowers across commercial bureau and individual business loan segments. This translates to formal credit penetration of 47% among registered enterprises. While this marks substantial progress in expanding access to institutional credit, it also highlights the considerable headroom that remains for further deepening MSME lending and advancing financial inclusion.

Continuity in Robust Credit Growth Accompanied by Resilient Asset Quality

Outstanding consolidated commercial credit reached ₹67.6 lakh crore as of December 2025, reflecting robust year on year growth of 16% and a five year CAGR of 17% (December 2020–December 2025). Strong growth momentum was evident in property loans within the commercial segment and secured business loans availed by individual borrowers, both growing at 43% year on year. Unsecured business loans to individual borrowers also recorded healthy growth of 33%, though growth within the commercial enterprise segment remained muted at 5%.

Importantly, this expansion has been accompanied by a marked improvement in asset quality. Balance level serious delinquencies (90–720 days past due, sub standard classification) declined to 1.9%, the lowest level observed in the past five years, improving by 14 basis points over the previous year.

The improving risk profile is further reflected in a shift toward lower risk portfolios. Over the past three years, the share of low risk loans (as classified by TU CIBIL) within commercial lending rose from 43% in December 2022 to 55% in December 2025. Among individual borrowers with commercial loans, the low risk share increased from 19% to 25% over the same period. This trend is broad based, with all major lender groups reporting a higher proportion of low risk exposures over the past year.

Combined MSME credit sector (Commercial Entities & Individual Borrowers with Commercial Loans)		
Growth (Credit Exposure - In ₹ Lakh Crore)		
Dec '24	Dec '25	YoY Growth (%)
58.2	67.6	16%
Performance (Delinquency Rates) 90-720 DPD (including Sub-standard)*		
Dec '24	Dec '25	YoY Change (bps)
2.01%	1.87%	-14%

Credit Supply Remains Steady as New to Credit Originations Moderate

Overall new loan originations, measured on an indexed basis, remained broadly stable year on year, indicating steady credit demand conditions. However, the share of New to Credit (NTC) borrowers has continued to decline gradually, reflecting increasing lender exposure to repeat borrowers.

EXECUTIVE SUMMARY

Among lender groups, NBFCs have steadily increased their market share, accounting for 26% and 40% of origination value and volume, respectively, during the nine months ended December 2025. Private sector banks continue to command the largest share of originations by value, underscoring their sustained leadership in MSME credit deployment.

Portfolio Concentration in Top States, Driven by Growth in Individual Business Loans

State level analysis indicates that Maharashtra, Gujarat, Tamil Nadu, Uttar Pradesh, and Delhi together account for nearly half (47%) of the consolidated MSME credit portfolio. Among the top ten states, Delhi recorded the highest year on year growth at 32%, driven largely by a 34% expansion in individual business loans. Notably, all top ten states reported growth exceeding 20% in this segment, highlighting the rising importance of individual business lending within the MSME credit ecosystem.

Manufacturing Anchors Bank Led MSME Lending at Higher Ticket Sizes

From a sectoral standpoint, manufacturing continues to hold the largest share of commercial credit at 38%, despite a marginal decline over the past four years, largely in favour of the trade sector. Manufacturing accounts for approximately 40% or more of credit exposure in the ₹2-20 crore and ₹20-100 crore ticket size segments, while trading enterprises dominate the sub ₹2 crore segment with over 45% of the portfolio.

Public and private sector banks maintain a strong presence in manufacturing focused lending, whereas for NBFCs, trading enterprises consistently represent around one third of their MSME portfolios.

Diversified Regional Growth Across Core Manufacturing Industries

Five industries-textiles, food processing, engineering, basic metal products, and chemicals-together account for over 60% of manufacturing credit exposure. Cluster level analysis of these industries reveals diverse regional dynamics.

In textiles, Surat leads among established districts with strong year on year growth, while Gurugram stands out in the high growth potential cohort, combining rapid expansion with improving delinquency trends. Basic metal clusters show mixed performance, with robust growth in Rajkot accompanied by a marginal increase in delinquencies, while Vadodara recorded strong growth supported by declining delinquencies. In chemical products, Hyderabad experienced modest credit growth alongside rising delinquencies, whereas clusters such as Kancheepuram and Belagavi posted high growth, albeit with some deterioration in asset quality.

Food processing clusters exhibited strong momentum in Bareilly and Tiruppur, alongside notable improvements in delinquency trends in Bikaner within the high growth potential cohort. Engineering clusters continue to expand rapidly in northern India, while western and southern regions remain key concentration hubs.

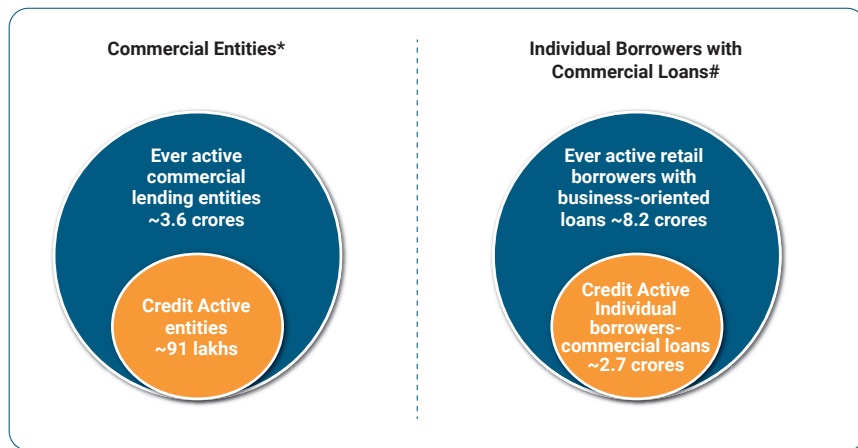
Re-engaging Credit Worthy Past Borrowers Offers Growth Opportunities

An analysis of the September 2023 commercial borrower cohort highlights a significant untapped opportunity in re engaging past borrowers, particularly among micro enterprises. Nearly one third of borrowers had exited the commercial credit ecosystem, and close to 90% of these did not re engage within two years, despite many continuing to display strong credit profiles. This underscores the potential for targeted reactivation, retention, and cross sell strategies that could unlock incremental credit growth while maintaining prudent risk outcomes.

Overall Assessment

Overall, the findings point to sustained expansion in MSME credit, underpinned by improving asset quality, strengthening risk profiles, and broader sectoral and geographic participation. These trends reinforce the resilience of the MSME credit ecosystem while highlighting clear opportunities for further inclusive growth.

COMMERCIAL CREDIT LANDSCAPE



Source: TransUnion CIBIL commercial & consumer credit database

~25% OF THE BORROWERS ARE ACTIVE ON COMMERCIAL LOANS

~12 CRORE BORROWERS HAVE EVER TAKEN COMMERCIAL LOAN IN INDIVIDUAL OR ENTITY CAPACITY

Comprises for reporting on individuals with loans reported in product type - BL, CV, CE & LAP (deduped for anyone reported on Commercial bureau) * is Commercial Credit active Borrowers





Commercial credit landscape reflects a substantial borrower base across both institutional entities and individual borrowers engaged in business-oriented lending. On the commercial entities side, the ecosystem comprises approximately 3.6 crore ever-active commercial lending entities, representing the broader universe of businesses that have engaged with formal credit at any point in time. Within this group, around 91 lakh entities are currently credit active, indicating ongoing loan obligations or recent credit activity. This highlights that roughly one-fourth of all commercial entities maintain active credit relationships within the financial system.

Commercial entity lending segment is consistently growing over the past few years but recently we have seen some reduction especially focusing on very small enterprises owing to some uptick in delinquencies. This increase in delinquency is expected to ease out and at the same time with more targeted credit guarantee schemes being introduced to support this segment of borrowers, lending to this segment is expected to grow again in future.

In parallel, the segment of individual borrowers with commercial or business-oriented loans forms an even larger pool. There are close to 8.2 crore ever-active retail borrowers who have availed business-linked lending products historically. Of these, about 2.7 crore individuals are credit active, demonstrating a sustained reliance on credit for entrepreneurial, microbusiness, or self-employment activities. This proportion illustrates the significant role of personal credit in supporting small and micro-enterprise economic activity.

Overall, the distribution underscores a diverse and expansive commercial credit market, with notable participation from both formal business entities and individual entrepreneurs. The data further emphasizes the importance of credit accessibility in driving economic engagement across organizational and individual borrower segments

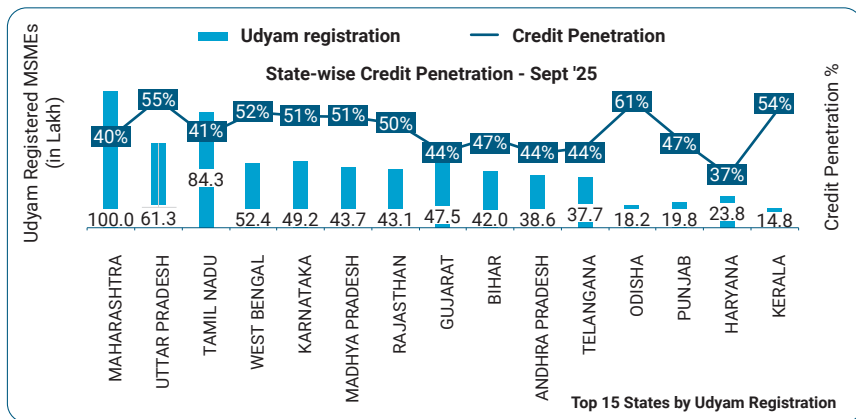
GROWTH OPPORTUNITIES

0.91 Crs*

2.7 Crs#

7.7 crores Udyam Registered (Jan'26)

47% Credit Active



Source: TransUnion CIBIL commercial & consumer credit database

Credit Penetration: (Number of credit active borrowers including consumer reported borrowers / Total number of Udyam registration in states) Ministry of MSME for the Udyam Registration volumes

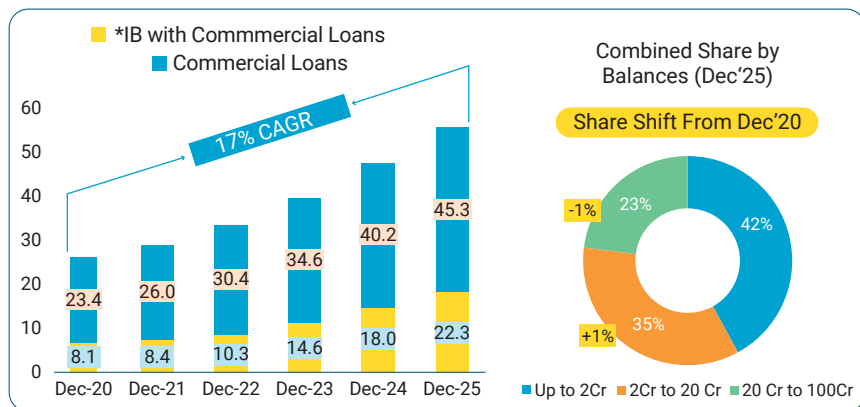
is Individual with commercial value Credit active borrowers (BL, CV, CE & LAP)

* is Commercial Credit active Borrowers.

~47% OF UDYAM REGISTERED ENTITIES/INDIVIDUALS ESTIMATED TO BE ACTIVE CREDIT OUTSTANDING AS OF DEC '25



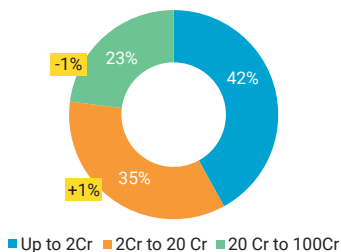
Outstanding Balance (Lakh Cr.)



Source: TransUnion CIBIL commercial credit database

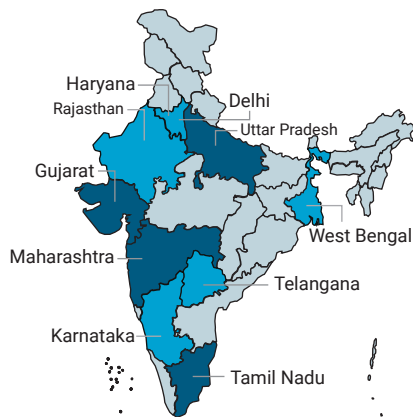
Combined Share by Balances (Dec'25)

Share Shift From Dec'20



BOTH COMMERCIAL AND INDIVIDUAL BUSINESS LOANS PORTFOLIO BALANCES HAVE WITNESSED A DOUBLE-DIGIT GROWTH IN LAST FIVE YEARS

All Commercial Fund based loans (WC-TL). Exposure up to 100Cr considered; ***IB means Individual Borrowers** Business Loan, Commercial Vehicle, Commercial Equipment and Property loan considered under Consumer whereas common accounts within both bureau are only considered under commercial.



Map not to scale

Top 10 States	Share (Dec '25)	YOY Growth	YOY Growth Commercial	YoY Growth IB* with Comm
Maharashtra	15.8%	15%	11%	24%
Gujarat	9.5%	18%	15%	25%
Tamil Nadu	9.3%	15%	13%	20%
Uttar Pradesh	7.1%	21%	18%	28%
Delhi	6.8%	32%	10%	34%
Karnataka	5.7%	19%	15%	23%
Rajasthan	5.6%	17%	18%	22%
Telangana	5.4%	16%	14%	27%
Haryana	4.6%	21%	16%	35%
West Bengal	4.3%	13%	9%	28%

TOP 5 STATES CONTRIBUTE ~47% OF THE TOTAL COMMERCIAL OUTSTANDING STRONG GROWTH IN INDIVIDUAL BORROWERS WITH COMMERCIAL LOANS ACROSS ALL THE STATES WITH FOCUS ON BUSINESS LOANS AND PROPERTY LOANS IN INDIVIDUAL CAPACITY

All Commercial Fund based loans (WC-TL). Exposure up to 100Cr considered; ***IB means Individual Borrowers** Business Loan, Commercial Vehicle, Commercial Equipment and Property loan considered under Consumer whereas common accounts within both bureau are only considered under commercial.

Source: TransUnion CIBIL commercial credit database

PORTFOLIO

Commercial Products (Dec-25)

Products	YoY	% Share
Long/Mid Short TL	13%	26%
Cash Credit	9%	23%
Overdraft	13%	22%
Property Loan	43%	9%
UBL	5%	4%
Commercial Vehicles Loan	10%	3%
Others	5%	13%

*IB with Commercial Products (Dec-25)

Products	YoY	% Share
Property Loan	22%	47%
Commercial Vehicles Loan	14%	22%
BL – Unsecured	33%	17%
BL – Secured	43%	11%
Commercial Equipment Loan	23%	3%

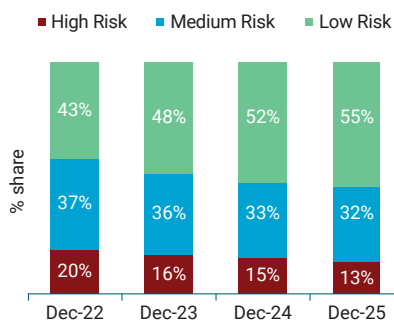
GROWING FOCUS ON BUSINESS LOANS ESPECIALLY ON THE BORROWERS IN INDIVIDUAL CAPACITY WITH FOCUS FROM NBFCs

STRONG GROWTH NOTED IN PROPERTY LOANS IN LENDING TO ENTITIES IN COMMERCIAL CAPACITY; THOUGH WITH STRONG BANK FOCUS CC/OD FACILITIES REMAIN PRIMARY PRODUCTS OF CHOICE

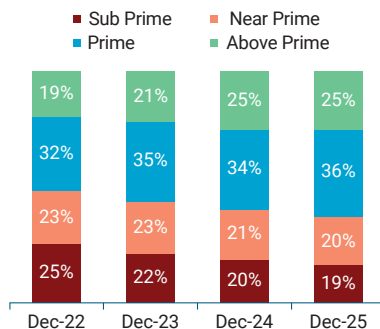
All Commercial fund-based loans (WC-TL); Exposure up to 100 Cr *IB means Individual Borrowers

Source: TransUnion CIBIL commercial & consumer credit database

CV CMR Rank | Commercial Loans



V3 Score Rank | IB with Commercial Loan

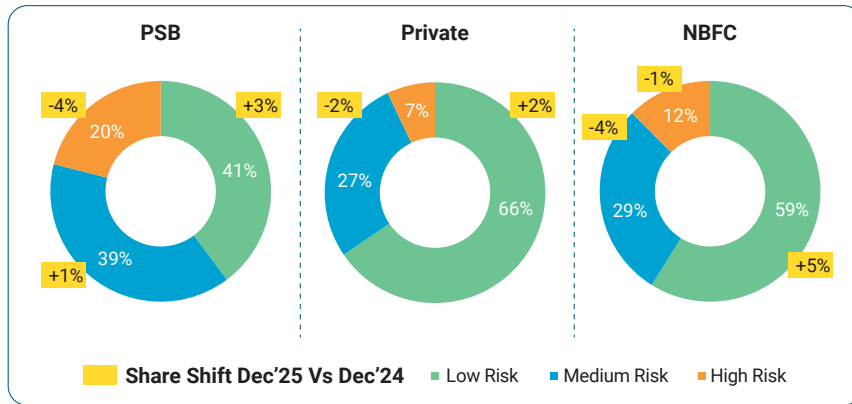


Source: TransUnion CIBIL commercial credit database

SHARE OF LOW-RISK BORROWERS AND ABOVE PRIME BORROWERS ARE GROWING SINCE PAST 4 YEARS INDICATES IMPROVEMENT IN BORROWERS' PERFORMANCE AND STRONGER UNDERWRITING AND SELECTIVE LENDING FROM LENDERS

All Commercial Fund based loans (WC-TL). Exposure up to 100Cr considered; *IB means Individual Borrowers Business Loan, Commercial Vehicle, Commercial Equipment and Property loan considered under Consumer whereas common accounts within both bureau are only considered under commercial. CreditVision (CV) score ranges are: Below prime = 300-730; Prime = 731-770; Above Prime = 771-900 Low Risk: CMR 1-3, Medium Risk: CMR 4-7 and High Risk: CMR 8-10

Lender Category: CIBIL Commercial Rank | Share of Borrowers for Commercial Loans | Dec'25

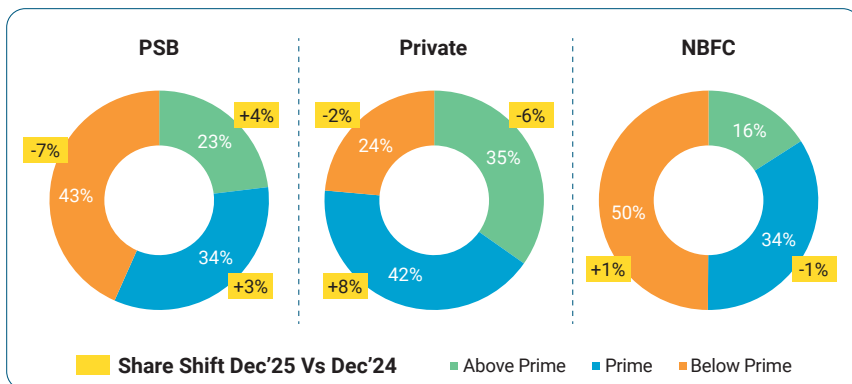


Source: TransUnion CIBIL commercial & consumer credit database

LOW SHARE OF ABOVE PRIME BORROWERS ESPECIALLY IN NBFC SEGMENT SHOWS DIVERSITY IN BORROWER SELECTION ACROSS LENDER SEGMENTS

All Commercial Fund based loans (WC-TL). Exposure up to 100Cr considered; Low Risk: CMR 1-3, Medium Risk: CMR 4-7 and High Risk: CMR 8-10

Lender Category: CIBIL Score Segments | Share of Borrowers for IB* with Commercial Loans | Dec'25

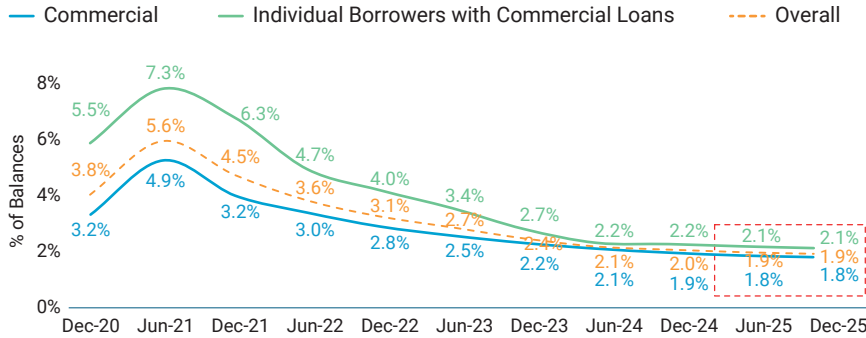


Source: TransUnion CIBIL commercial & consumer credit database

LOW SHARE OF ABOVE PRIME BORROWERS SIGNIFIES NEED FOR BETTER LOAN PROCESSING AT BORROWERS' LEVEL

Exposure up to 100Cr considered; *IB means Individual Borrowers Business Loan, Commercial Vehicle, Commercial Equipment and Property loan considered under Consumer whereas common accounts within both bureau are only considered under commercial. CreditVision (CV) score ranges are: Below prime = 300-730; Prime = 731-770; Above Prime = 771-900

Balance-Level Delinquencies – 90+ and Sub-STD

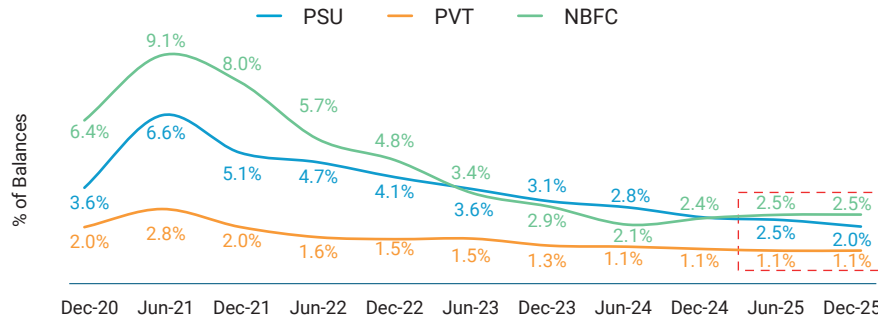


Source: TransUnion CIBIL commercial & consumer credit database

All Commercial Fund based loans (WC-TL); Exposure up to 100Cr considered Business Loan, Commercial Vehicle, Commercial Equipment and Property loan considered under Consumer whereas common accounts within both bureau are only considered under commercial.

CREDIT PERFORMANCE IN THE OVERALL PORTFOLIO CONTINUES TO BE STABLE IN DEC-25 AFTER BALANCE LEVEL DELINQUENCIES HIT AN ALL TIME LOW IN MAR-25

Balance-Level Delinquencies – 90+ and Sub-STD

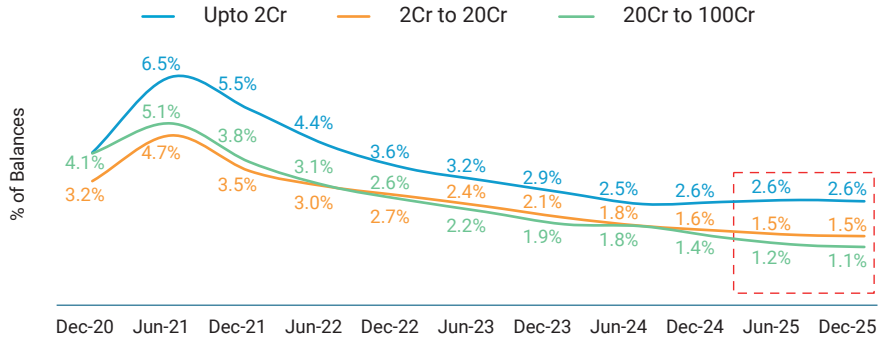


Source: TransUnion CIBIL commercial & consumer credit database

All Commercial Fund based loans (WC-TL); Exposure up to 100Cr considered Business Loan, Commercial Vehicle, Commercial Equipment and Property loan considered under Consumer whereas common accounts within both bureau are only considered under commercial.

WHILE OVERALL ASSET QUALITY HAS BEEN IMPROVING ACROSS LENDER CATEGORIES, AN UPTICK IN DELINQUENCIES IS NOTED FOR NBFCs

Balance-Level Delinquencies – 90+ and Sub-STD



Source: TransUnion CIBIL commercial & consumer credit database

All Commercial Fund based loans (WC-TL); Exposure up to 100Cr considered Business Loan, Commercial Vehicle, Commercial Equipment and Property loan considered under Consumer whereas common accounts within both bureau are only considered under commercial.

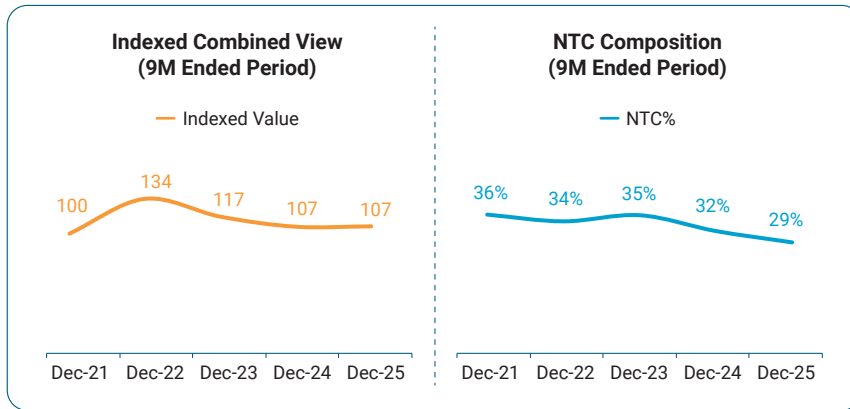
OVERALL ASSET QUALITY HAS BEEN STEADY ACROSS BORROWERS EXPOSURE SEGMENT; HIGH TICKET SIZE BORROWERS HAVE SHOWN IMPROVEMENT



A photograph of a market stall, likely a spice or grain shop. The stall is filled with shelves of jars and sacks of grain. A man in a white shirt and apron is visible in the background, working with the goods. The image is overlaid with a yellow banner that contains the text "CREDIT SUPPLY".

CREDIT SUPPLY

COMPREHENSIVE SUPPLY - NEW ORIGINATIONS (EXCLUDING RENEWALS)



Source: TransUnion CIBIL commercial & consumer credit database

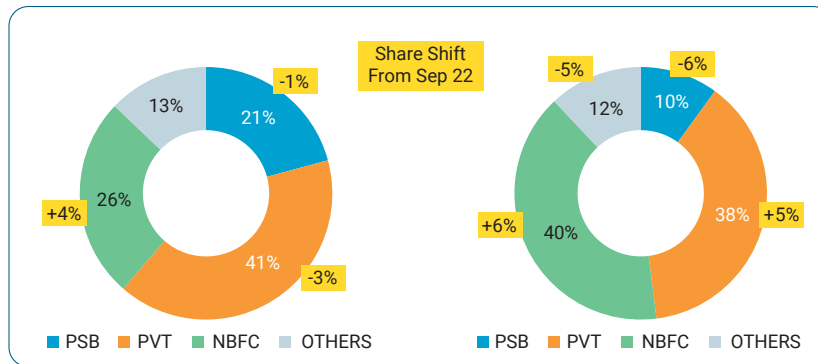
All Commercial fund-based loans (WC-TL), considered in originations. Renewals are excluded in commercial. Business Loan, Commercial Vehicle, Commercial Equipment and Property loan considered under Consumer whereas Common accounts within both bureau are only considered under commercial. Exposure up to 100 Cr Exposure above 100Cr excluded from both bureau; Indexed on Dec-21 = 100

SLOWER NEW ORIGINATIONS GROWTH SHOWS SHIFT OF FOCUS TOWARDS CREDIT TESTED AND BETTER PROFILE BORROWERS

NTCs HAVE ALSO SEEN DROP IN FOCUS WITH STRONG FOCUS ON BUILDING LOWER RISK PROFILE PORTFOLIO

Originations share by Value (9M Ended Dec'25)

Originations share by Volume (9M Ended Dec'25)



Source: TransUnion CIBIL commercial & consumer credit database

All Commercial fund-based loans (WC-TL), considered in originations. Renewals are excluded in commercial. Others Includes Co-Operative Banks, SFB,FB; NBFC includes NBFC and NBFC-FINTECH. Business Loan, Commercial Vehicle, Commercial Equipment and Property loan considered under Consumer whereas common accounts within both bureau are only considered under commercial. Exposure up to 100 Cr

NBFCs HAVE SEEN GROWTH IN SUPPLY BY VALUE AND VOLUME SHOWING INCREASING FOCUS ON COMMERCIAL LENDING NEEDS OF BUSINESS ENTERPRISES



**A DEEP DIVE INTO
COMMERCIAL
SECTORAL VIEW**

Sectoral Commercial credit review shows continued domination by 5 states

Within commercial lending to entities, Professional services and other sectors grew 16% YoY, followed by other sector by 15%. Manufacturing, the largest contributor to the commercial portfolio, expanded by 11%. A 14-bps drop in overall commercial delinquency was observed across most sectors, except trade, which saw a 2-bps increase since December 2024.

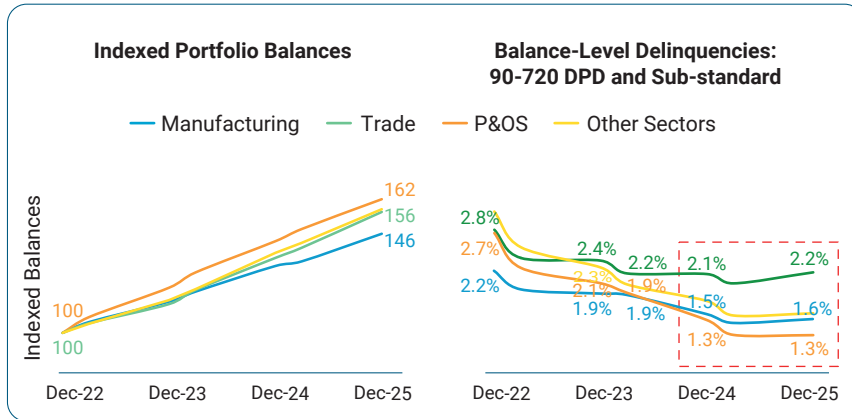
Maharashtra, Gujarat, Tamil Nadu, Uttar Pradesh and Delhi continue to dominate commercial bureau lending, contributing to 49% of share by portfolio in Dec '25. While the manufacturing sector has the highest share in Maharashtra, Gujarat, Tamil Nadu and Delhi, the state of Uttar Pradesh has the maximum share given to the trade sector.

Proportion of Sector across Portfolio (Dec'25)	
Sector	Share of Portfolio
Manufacturing	38%
Trade	31%
Professional and Other Services	17%
Other Sectors	14%

In commercial lending portfolio to the entities, Lending balances have shown consistent growth across all sectors, with other sectors expanding more rapidly than others. At the same time, balance-level delinquencies (90–720 DPD, classified as 'Sub-standard') have generally declined across sectors, reflecting improved credit quality and risk management since past 3 years however, recent period have shown slight increases in delinquency as of December 2025.

Manufacturing holds a highest share with 38% which has dropped by 2% in last 4 years which is gained by the Trade sector. Within manufacturing, credit exposure of 2 Cr to 20 Cr has the majority of manufacturing across all sub sector with top five sub-segments i.e. contributing to over 60% of the manufacturing sector's portfolio which are Textile, Food Processing, All Engineering, Basic Metal products & Chemical and Chemical products.

SECTORAL VIEW – COMMERCIAL PORTFOLIO



Source: TransUnion CIBIL commercial & consumer credit database

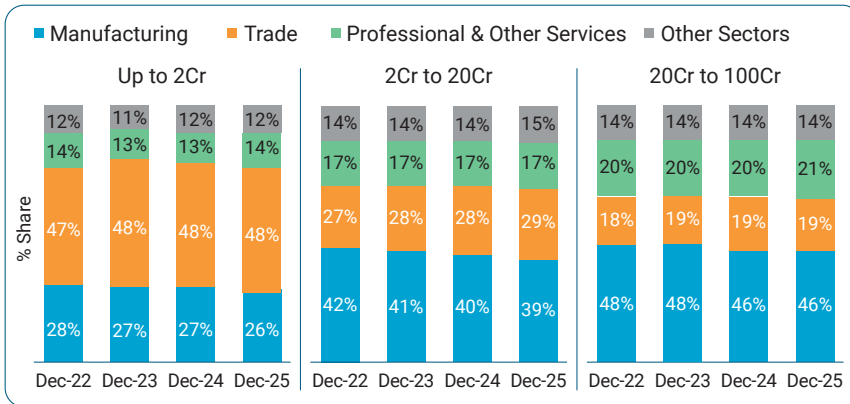
SLIGHT UPTICK IS SEEN IN PORTFOLIO DELINQUENCY IN DEC-25 ACROSS SECTORS SINCE THE LOWEST IN MAR-25

All Commercial Fund based loans (WC-TL); Exposure up to 100Cr considered



SECTORAL ANALYSIS - PORTFOLIO

Portfolio distribution by Borrowers Segment and Sectors

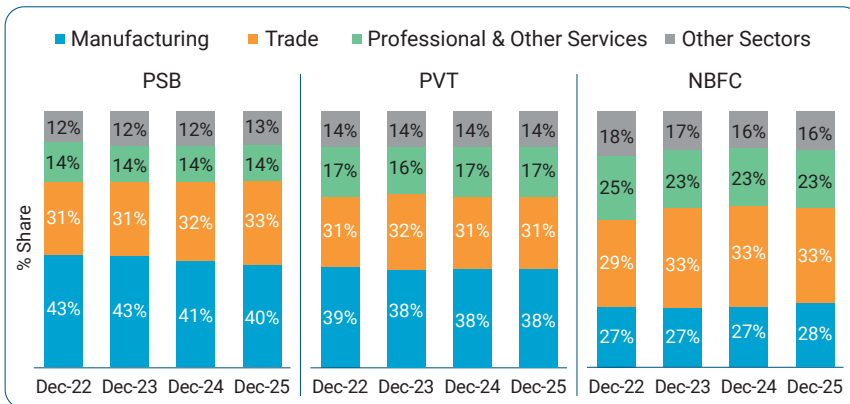


Source: TransUnion CIBIL commercial credit database

All Commercial fund-based loans (WC-TL), considered in originations. Renewals are excluded
 Other includes Transport Operators, Agriculture and allied activities and construction
 NAs in sectors have been excluded which is 16% in value; Exposure up to 100Cr considered

THE MANUFACTURING SECTOR ACCOUNTS FOR THE LARGEST SHARE OF PORTFOLIO IN BOTH THE ₹2-20 CRORE AND ₹20-100 CRORE BORROWER SEGMENTS, WHILE TRADING ENTERPRISES CONTRIBUTE OVER 45% OF PORTFOLIO IN THE SEGMENT UP TO ₹2 CRORE

Portfolio distribution by Lendor category and Sectors



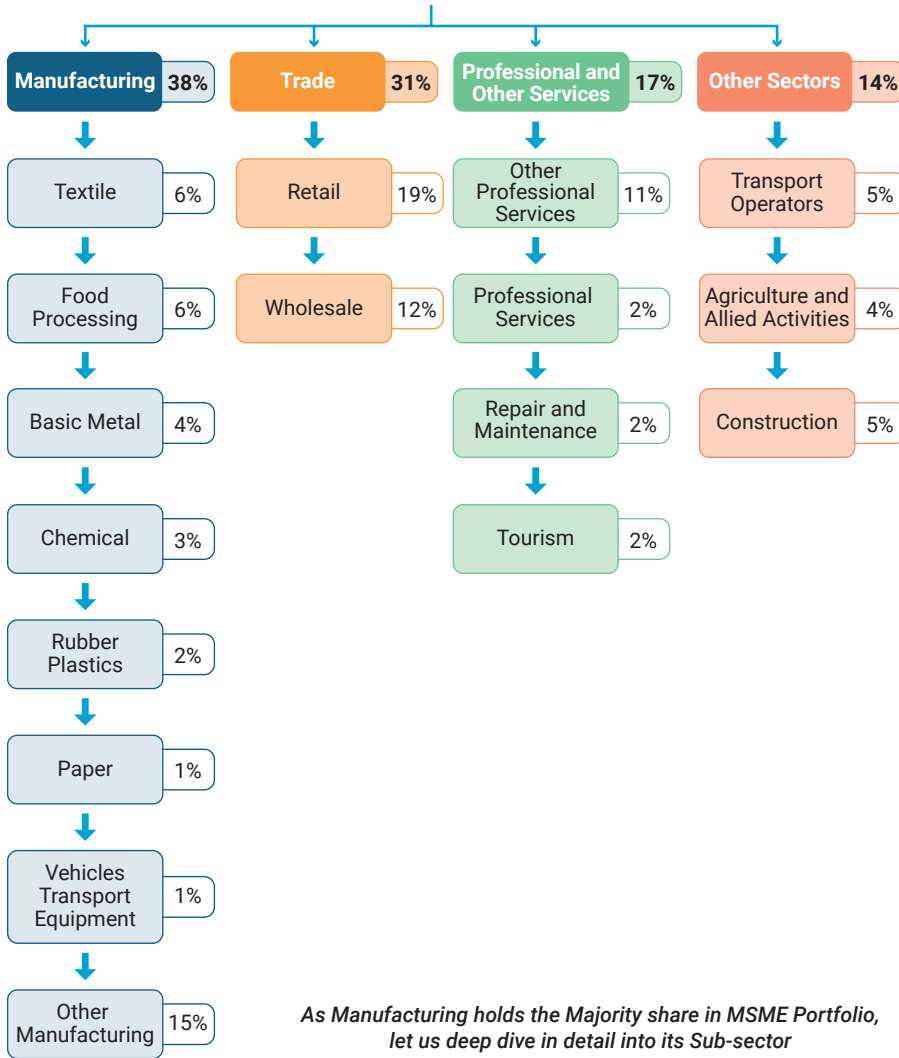
Source: TransUnion CIBIL commercial credit database

All Commercial fund-based loans (WC-TL), considered in originations. Renewals are excluded
 Other includes Transport Operators, Agriculture and allied activities and construction
 NAs in sectors have been excluded which is 15% in value; Exposure up to 100Cr considered

PSBs AND PVBs CONTINUE TO HOLD A STRONG SHARE OF MANUFACTURING-SECTOR PORTFOLIO. AMONG NBFCs, TRADING SECTOR CONSISTENTLY ACCOUNTS FOR ABOUT ONE-THIRD OF TOTAL PORTFOLIO

SECTORAL ANALYSIS - PORTFOLIO

All Sectors – Portfolio Balance Share – Dec'25



As Manufacturing holds the Majority share in MSME Portfolio, let us deep dive in detail into its Sub-sector

RETAIL TRADES HAVE HIGHEST SHARE IN OUTSTANDING BALANCES AS OF DEC' 25 FOLLOWED BY WHOLESALE TRADES AND OTHER PROFESSIONAL SERVICES

Source: TransUnion CIBIL commercial credit database

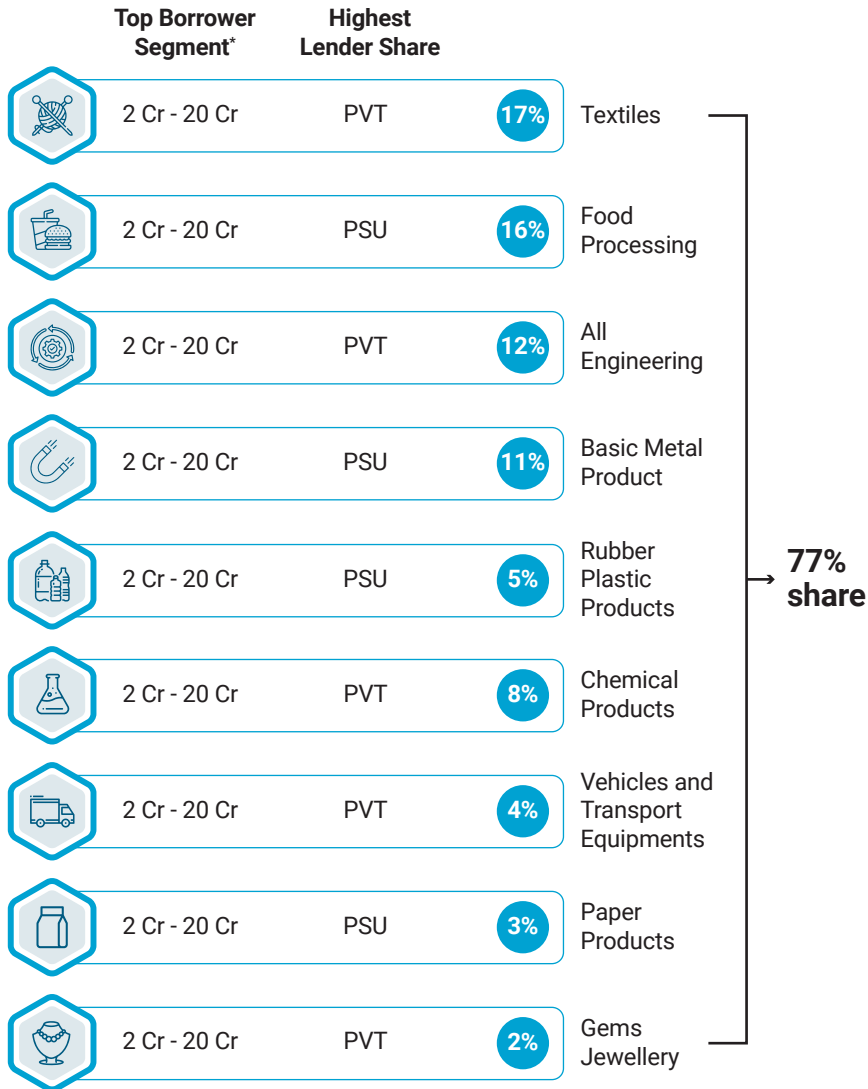
All commercial fund based (WC-TL) outstanding balance. | Exclusions: Financial Intermediation and Loan Activities.

Other Manufacturing sectors includes All Engineering, Gems and Jewelry, Wood products, Leather products, Cement products, Printing, publishing activities, Glassware, Other Manufacturing.

NA excluded which is 15% of the data; Exposure up to 100Cr considered

SECTORAL ANALYSIS - PORTFOLIO

Sub-Sector View : Manufacturing | Share of Outstanding Balance | Dec'25



TOP 10 SUB SECTORS HOLD 78% OF MANUFACTURING IN WHICH PRIVATE BANKS HAVE THE HIGHEST LENDER SHARE ACROSS MOST MANUFACTURING SUB-SECTORS

Source: TransUnion CIBIL commercial credit database

All commercial fund based (WC-TL) outstanding balance. Exposure up to 100Cr considered

A woman in a saree is operating a spinning machine in a textile factory. The scene is filled with other workers and machinery, creating a busy industrial atmosphere. The entire image has a blue color cast.

MSME CLUSTER VIEW



46% of MSME manufacturing sector is contributed by SME Clusters for top 5 Sub sector

An MSME cluster is a geographically concentrated group of MSMEs producing similar or related products or services, sharing infrastructure, technology, and resources for collaboration and cost efficiency. According to dcmsme.gov.in, India has over 1,500 clusters. Integrated with TU CIBIL data, clusters in the top five manufacturing sub-sectors account for 47% of the manufacturing portfolio. Districts such as Ahmedabad, Bengaluru, Mumbai, and Chennai have the highest concentration, with more than three clusters each, followed by Kolkata, Pune, Delhi, and Coimbatore.

Tiruppur, one of India's largest textile hubs, recorded a 7% YoY credit growth, while Surat recorded 38%. Similarly, districts like Jaipur (garments), Gurugram (apparel) and Panipat (carpets) show strong growth potential, with textile MSME clusters expanding by 11%. This is encouraging to note given the concerns around the potential impact of the 50% tariff on the Indian textile and particularly the garments sector.

Similarly for Metal and metal product sub sector within manufacturing sector, Kolkata and Ahmedabad are the top 2 districts whereas Faridabad and Kolhapur have shown higher growth potential to expand with improved balance level delinquency in the sub-sector.



An introduction to MSME Clusters

An **MSME Cluster** refers to a geographically concentrated group of MSMEs that produce similar or related products or services. They share common infrastructure, technology and resources, enabling collaboration and cost efficiency.

Major purpose of MSME Clusters in India is:

Cost Efficiency & Economies of Scale

Shared facilities reduce individual costs and promotes scale.

Technology Upgradation

Easier adoption of modern machinery and digital tools.

Improved Competitiveness

Collective marketing helps MSMEs compete globally.

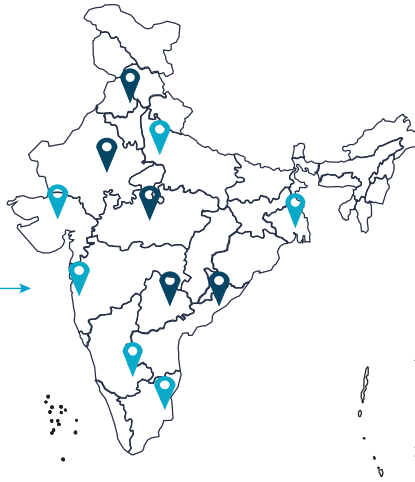
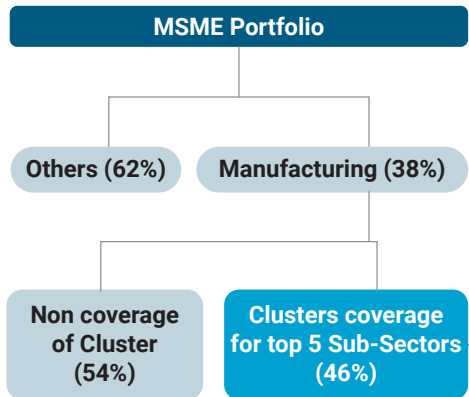
Employment Generation

Helps creating jobs in rural and semi-urban areas.

In this section, we have identified official government clusters listed on dcmsme.gov.in and integrated them with TU CIBIL data to determine potential sub-sectors based on mapped clusters, highlight top-performing districts, and highlight clusters for those districts.

CLUSTER ANALYSIS

TOP 5* SUB-SECTORS CONTRIBUTE TO ~60% OF OVERALL MANUFACTURING PORTFOLIO



TOP DISTRICT VIEW WITH 3 OR MORE THAN 3 CLUSTERS ACROSS INDIA WITH CREDIT OUTSTANDING

All commercial fund based (WC-TL) outstanding balance.
NA excluded which is 15% of Portfolio.
*Top 5 Sub Sector includes **Textile, Food Processing, All Engineering, Basic Metal products & Chemical.**

📍 Top Districts with = 3 Clusters
📍 Top Districts with >= 4 Clusters



ALL ENGINEERING – CLUSTER REVIEW



All Engineering Portfolio Delinquency – 1.3%

Map not to scale

Top 5 Leading Districts

DISTRICTS	YoY Growth by value	90+ %	Delq BPS Chng w.r.t Mar'25	Major Cluster Type
PUNE	14%	1.2%	16	Engineering
BENGALURU	15%	1.7%	-12	Electronics
AHMEDABAD	19%	0.7%	-24	Electronics
MUMBAI (SUB-U)	11%	1.0%	-8	Electronics
CHENNAI	5%	1.1%	38	Engineering

Top 5 High Growth Potential Districts

DISTRICTS	YoY Growth by value	90+ %	Delq BPS Chng w.r.t Mar'25	Major Cluster Type
NEW DELHI	28%	0.4%	66	Engineering
RAJKOT	15%	0.3%	-6	Hardware
JAIPUR	25%	0.5%	-26	Electronics
SURAT	49%	1.2%	-10	Power loom
GURUGRAM	28%	0.4%	-71	Engineering

Source: TransUnion CIBIL commercial credit database

STRONG GROWTH NOTED IN ENGINEERING CLUSTERS OF NORTH WHEREAS WEST AND SOUTH CONTINUE TO HAVE HIGHER CONCENTRATION OF THESE CLUSTERS

TEXTILE – CLUSTER REVIEW



Textile Portfolio Delinquency – 1.7%

Map not to scale

Top 5 Leading Districts

DISTRICTS	YoY Growth by value	90+ %	Delq BPS Chng w.r.t Mar'25	Major Cluster Type
SURAT	38%	0.5%	18	Garments
TIRUPPUR	7%	1.9%	23	Textiles
AHMEDABAD	14%	2.2%	12	Handicrafts
MUMBAI (SUB-U)	20%	1.9%	56	Apparels
COIMBATORE	1%	1.5%	-20	Khadi

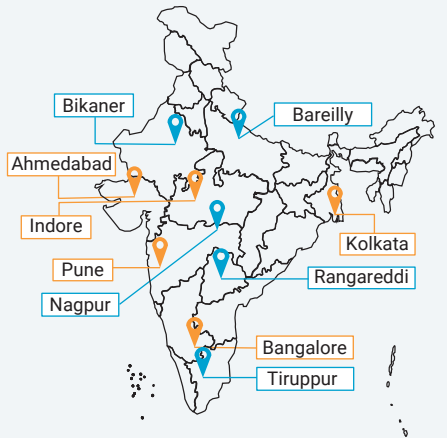
Top 5 High Growth Potential Districts

DISTRICTS	YoY Growth by value	90+ %	Delq BPS Chng w.r.t Mar'25	Major Cluster Type
PANIPAT	19%	0.6%	10	Carpets
JAIPUR	19%	1.0%	11	Garments
KOLHAPUR	14%	1.4%	71	Footwear
GURUGRAM	37%	0.5%	-72	Apparels
GBN*	16%	0.6%	-38	Garments

Source: TransUnion CIBIL commercial credit database

SURAT LEADS THE LEADING DISTRICTS COHORT WITH A STRONG 38% YOY GROWTH, WHILE GURUGRAM STANDS OUT IN THE HIGH-GROWTH POTENTIAL GROUP, SHOWING BOTH ROBUST EXPANSION AND A NOTABLE IMPROVEMENT IN DELINQUENCIES

FOOD PROCESSING – CLUSTER REVIEW



Food processing Portfolio Delinquency – 1.9%

Map not to scale

Top 5 Leading Districts

DISTRICTS	YoY Growth by value	90+ %	Delq BPS Chng w.r.t Mar'25	Major Cluster Type
PUNE	10%	2.6%	-3	FOOD PROCESSING
AHMEDABAD	1%	3.3%	229	
BENGALURUURBAN	21%	3.6%	119	
INDORE	2%	1.9%	30	
KOLKATA	7%	1.2%	-103	MARINE

Top 5 High Growth Potential Districts

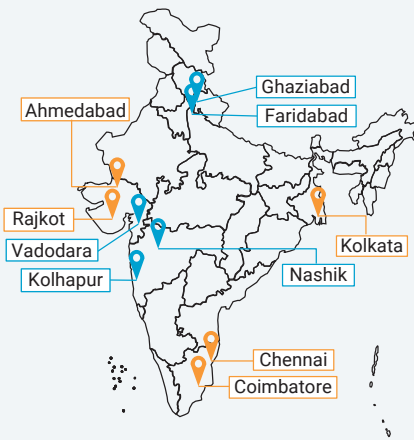
DISTRICTS	YoY Growth by value	90+ %	Delq BPS Chng w.r.t Mar'25	Major Cluster Type
NAGPUR	6%	1.9%	-18	FOOD PROCESSING
TIRUPPUR	13%	0.2%	-27	
RANGAREDDI	13%	0.6%	56	
BIKANER	11%	1.8%	-105	
BAREILLY	25%	0.1%	-9	

Source: TransUnion CIBIL commercial credit database

STRONG GROWTH IS OBSERVED IN BAREILLY AND TIRUPPUR, WHILE BIKANER HAS RECORDED A SIGNIFICANT IMPROVEMENT IN DELINQUENCIES

IN CONTRAST, AHMEDABAD HAS SEEN A NOTABLE INCREASE IN DELINQUENCY LEVELS WITHIN THE SECTOR

BASIC METAL PRODUCTS – CLUSTER REVIEW



Basic Metals Portfolio Delinquency – 1.2%

Map not to scale

Top 5 Leading Districts

DISTRICTS	YoY Growth by value	90+ %	Delq BPS Chng w.r.t Mar'25	Major Cluster Type
KOLKATA	-5%	1.0%	-10	METALS & METAL PRODUCTS
AHMEDABAD	16%	1.3%	26	
CHENNAI	0%	0.8%	24	
RAJKOT	19%	0.4%	7	
COIMBATORE	16%	2.2%	-1	

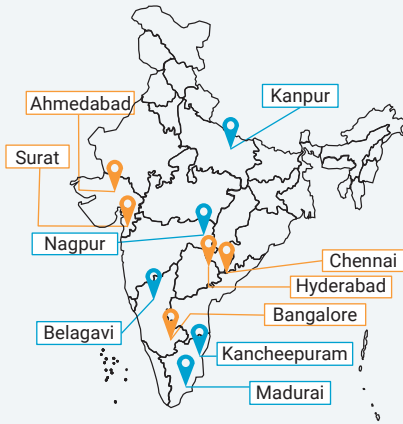
Top 5 High Growth Potential Districts

DISTRICTS	YoY Growth by value	90+ %	Delq BPS Chng w.r.t Mar'25	Major Cluster Type
FARIDABAD	14%	0.6%	-29	METALS & METAL PRODUCTS
GHAZIABAD	27%	0.8%	3	
VADODARA	21%	0.6%	-125	
KOLHAPUR	15%	2.5%	-117	
NASHIK	12%	0.3%	-51	

Source: TransUnion CIBIL commercial credit database

WHILE KOLKATA RECORDED A YOY DECLINE IN SECTORAL CREDIT, RAJKOT REGISTERED A STRONG 19% YOY GROWTH. IN THE HIGH-POTENTIAL COHORT, VADODARA POSTED THE SECOND-HIGHEST GROWTH RATE, SUPPORTED BY A SHARP 125-BPS REDUCTION IN DELINQUENCIES

CHEMICAL PRODUCTS – CLUSTER REVIEW



Basic Metals Portfolio Delinquency – 1.2%
Map not to scale

Top 5 Leading Districts

DISTRICTS	YoY Growth by value	90+ %	Delq BPS Chng w.r.t Mar'25	Major Cluster Type
AHMEDABAD	8%	0.9%	62	CHEMICALS
BENGALURU	11%	0.9%	-54	
HYDERABAD	2%	2.7%	165	
CHENNAI	5%	0.7%	-20	
SURAT	31%	0.1%	-20	

Top 5 High Growth Potential Districts

DISTRICTS	YoY Growth by value	90+ %	Delq BPS Chng w.r.t Mar'25	Major Cluster Type
NAGPUR	7%	0.5%	-37	CHEMICALS
KANPUR	46%	1.2%	-29	
MADURAI	20%	0.9%	82	
BELAGAVI	18%	2.4%	118	
KANCHEEPURAM	71%	0.7%	62	

Source: TransUnion CIBIL commercial credit database

HYDERABAD RECORDED MODEST CREDIT GROWTH BUT EXPERIENCED A SHARP 165-BPS RISE IN DELINQUENCIES. IN CONTRAST, KANCHEEPURAM REGISTERED EXCEPTIONALLY HIGH YOY GROWTH OF 71%, WHILE BELAGAVI ALSO REGISTERED HIGH GROWTH, ALTHOUGH DELINQUENCY LEVELS ALSO INCREASED FOR THESE CLUSTERS



A man with a beard and glasses, wearing a dark apron with a name tag that says "Cashier", is looking down at a handheld device in his hands. He is standing behind a counter in what appears to be a grocery store or market. The background is filled with shelves and various items, all under a blue-tinted light. A large yellow rectangular box is overlaid on the right side of the image, containing the main text.

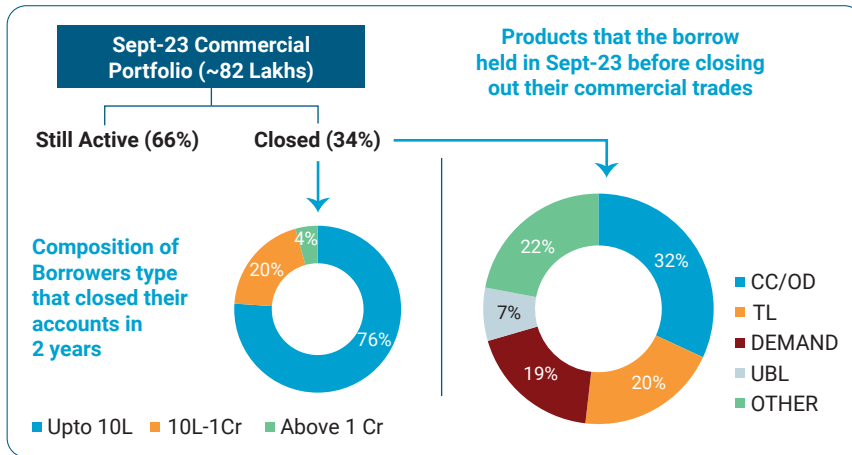
**OPPORTUNITY TO
EXPAND COMMERCIAL
CREDIT BY RE-ENGAGING
BETTER QUALITY CLOSED
ENTITIES**

Studies to review potential to expand and deepen credit access

An analysis of the September 2023 commercial borrower portfolio, comprising approximately 82 lakh entities, reveals a significant untapped opportunity in post closure engagement with the micro entities in their commercial capacity. Of the total portfolio with commercial loans active as at September 2023, 66% of borrowers remained active with a commercial credit, while 34% had closed their accounts in commercial entity capacity over the next 2 years. At the same time, we observed that nearly 76% of the entities that closed their loans belonged to the low exposure segment (up to ₹10 lakh). In light of this information, we assessed whether these entities continued to meet their credit requirements through business oriented borrowing or extended retail loan products in individual capacity after exiting commercial borrowing. The analysis showed that ~60% of these customers who closed their loans took new loans in an individual capacity post closure of their business loans. These loans were primarily business-oriented loans, gold loans, personal loans, and other retail products. Importantly, while these borrowers have exited in their commercial capacity, many remain active in the credit ecosystem in individual capacity, creating a clear opportunity for lenders to re-engage and win back these customers in commercial capacity through targeted reactivation strategies.

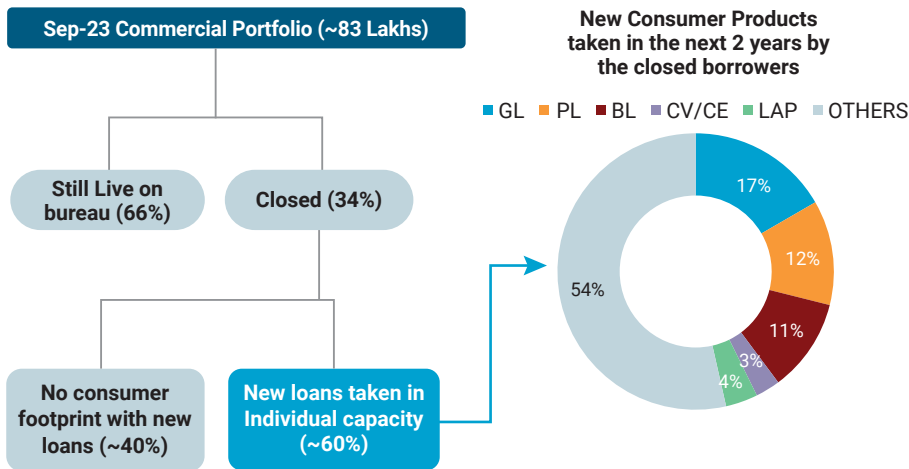
Nearly 90% of closed commercial borrowers did not re-enter the credit ecosystem in a commercial capacity in the subsequent two years, and only ~10% initiated new credit enquiries during this period (mainly not overlapping with those who took loans in individual capacity). This limited re-engagement points to a material gap in post closure outreach and retention, particularly as a portion of these borrowers appears to retain a viable credit profile as seen with their CIBIL Commercial Rank at the time of enquiry and could be candidates for reactivation. The CIBIL Commercial Rank (CMR) composition of the re-inquiring segment underscores this missed potential. Among borrowers who did re-enter the market looking for commercial lending products, 38% fell within the CMR 1–3 bracket, indicating low credit risk and strong repayment behaviour. A further 51% belonged to CMR 4–7, representing moderately stable credit quality. Only 11% of inquirers were in the high-risk CMR 8–10 category. This distribution suggests that a majority of the borrowers who returned to seek fresh credit had favourable or acceptable credit rankings, making them viable for re-lending.

With a large proportion of borrowers closing accounts and not engaging further especially in commercial entity capacity despite many possessing low risk credit ranks there is potential to design targeted retention, re-activation, and cross-sell strategies. Proactive engagement with this segment could unlock incremental lending opportunities while maintaining a balanced risk profile.



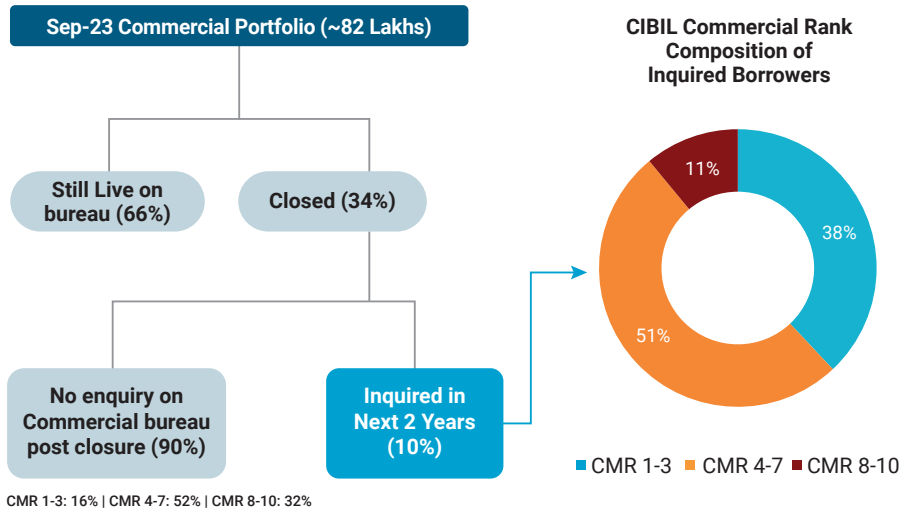
All commercial fund based (WC-TL) outstanding balance. Exposure up to 100Cr Considered

BORROWERS CLOSING COMMERCIAL LENDING ACCOUNTS WERE MAINLY SMALL SIZE ENTITIES WITH EXPOSURE UP TO ₹10L; 49% OF THE TRADES WERE CCOD FACILITIES & DEMAND LOANS WHICH WERE ACTIVE FOR THE CLOSED ENTITIES IN SEPT 2023



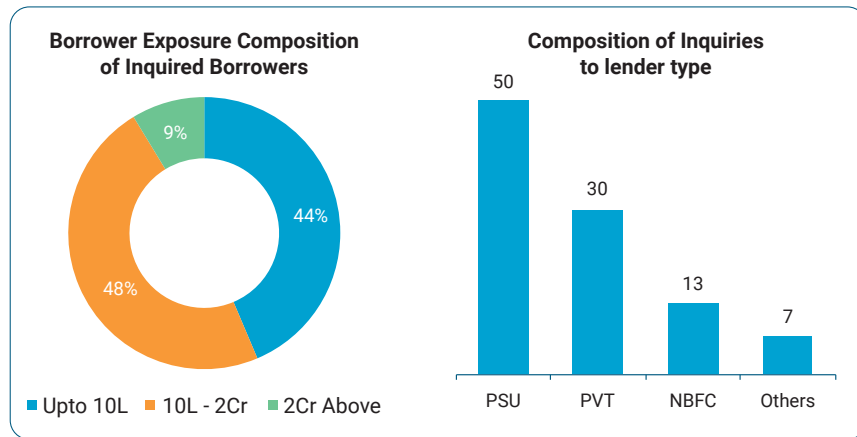
All commercial fund based (WC-TL) outstanding balance.

FOR THE 60% BORROWERS TAKING LOANS IN INDIVIDUAL CAPACITY NEARLY 46% OF THEM WERE TAKEN IN EITHER BUSINESS LOANS FORM / GOLD LOANS / PERSONAL LOANS



NEARLY 90% OF BORROWERS WERE UNTAPPED AFTER ACCOUNT CLOSURE IN COMMERCIAL CAPACITY ITSELF IN SEPT-23 WHICH HAD BETTER CIBIL COMMERCIAL RANK

All commercial fund based (WC-TL) outstanding balance. Exposure up to 100Cr Considered



LARGER SHARE OF BORROWERS ARE FROM LOWER EXPOSURE SEGMENTS UPTO 2 CR AND MAINLY INQUIRED WITH BANKS BOTH PUBLIC AND PRIVATE - SHOWING A STRONG POTENTIAL TO RE-INTEGRATE THESE BORROWERS IN THEIR COMMERCIAL CAPACITY

All commercial fund based (WC-TL) outstanding balance. NBFC includer NBFC & NBFC Fintech. Exposure up to 100Cr Considered



Summary

In summary, with only 47% credit active commercial entities or individuals with commercial exposure when measured as a metric against the Udyam registered MSMEs, there is a strong potential for expansion and bringing unserved segment into credit landscape.

Portfolio growth remained steady with a 16% YoY increase, reaching ₹67.6 lakh crore by December 2025 and balance-level delinquencies improved to 1.87%, an all-time low in last 5 years, indicating improved risk assessment and portfolio management practices.

SME clusters, the backbone of India's MSME growth, continue to show strong performance across districts and sub-sectors, with focus on large and high growth districts. Furthermore, tariff impact has been seen only in terms of slightly reduced supply, but demand continues to remain higher from these sectors. The portfolio quality as well in the affected sectors have not shown any signs of stress as of Dec' 25 end.

The MSME sector is crucial for India's economic transformation and a significant contributor to India's goal of becoming a developed economy by 2047 through innovation, employment generation and global competitiveness. To help MSMEs thrive and scale, the financial sector must continue to explore and offer tailored solutions and support. Effective engagement with MSMEs including the business loans being taken in individual capacity remains critical to assess borrowers with data and attributes, ensuring deeper and continued engagement through borrower lifecycle. Understanding their challenges and committing to their success are key to expanding credit access. Financial institutions can adopt advanced information analytics and technology-based solutions to target sustainable credit growth.

Notes:

- 1 Commercial loans and individual borrowers with commercial loans classified based on credit exposure aggregated at entity level, Micro: exposure up to ₹ 2 crore Very Small: < ₹ 10 lakh; Micro1: Exposure between ₹ 10 lakh and ₹ 2 Cr; Micro2: Exposure between ₹ 2 crore and ₹ 20 crore.
- 2 SME Clusters are identified based on cluster information available on official government clusters listed on dcmsme.gov.in and integrated them with TU CIBIL data. The list of clusters is extracted from the following link https://www.dcmsme.gov.in/CLCS_TUS_Scheme/Cluster-Development-Programme/Circular_Order.aspx
- 3 All MSME Fund based (TL-WC); BL, CV, CE & LAP consider for Individual holding commercial value.
- 4 Originations considered excluding Renewals
- 5 Low Risk is CVCMR 1-3, Medium Risk is CVCMR 4-7, High Risk is CMR 7-10
- 6 New-to-credit (NTC) MSME Borrowers defined as those who seek first ever MSME credit facility
- 7 All numbers mentioned in this MSME pulse report are in ₹ (Indian National Rupee)



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