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THE BATHLA COLLAPSE

A Case Study in Australian Private Credit Risk

Prepared for Investment Governance Discussions

September 2026

Read Trusler Consulting's Companion report: "Private Credit Research" which covers broader market and sector conditions.

This report is for internal governance purposes and does not constitute financial or investment advice.

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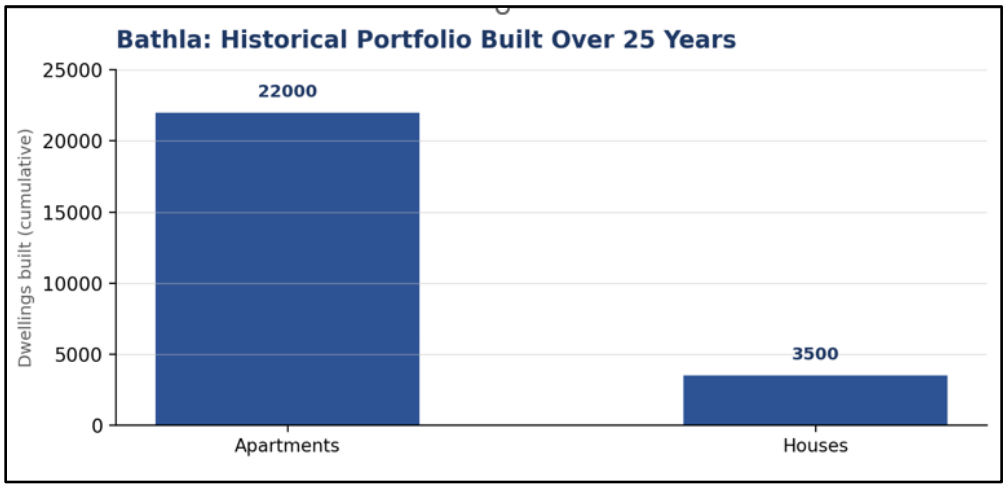
Background Context

Bathla Group - originally founded as Universal Property Group in 1997 by brothers Bhart Bhushan (a former taxi driver) and Rajinder Mohan, starting with five townhouses in the Sydney suburb of Girraween, grew over 25 years into one of the largest builders of relatively affordable housing in Sydney's west, ultimately constructing roughly 22,000 apartments and 3,500 houses.

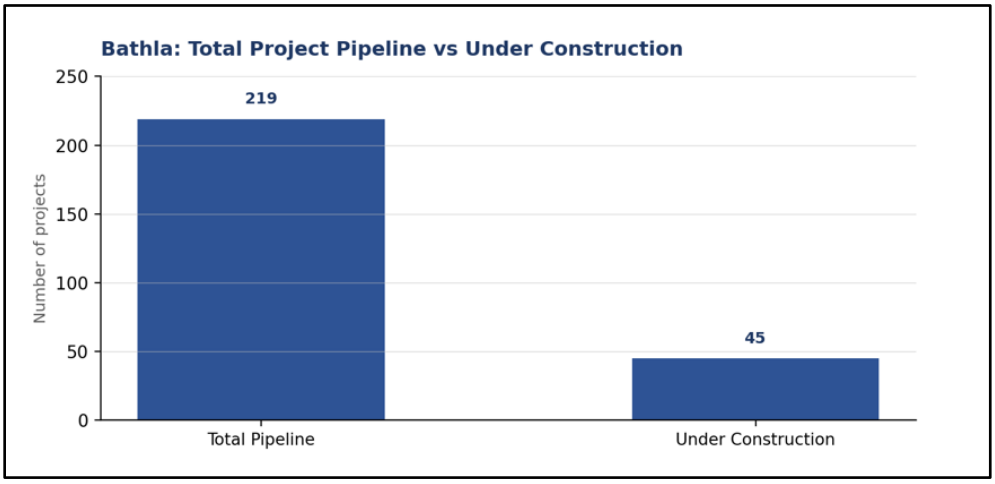
At its peak the company had over 200 projects in its pipeline (up to 219 in development, with around 45 under construction), representing roughly 2,500 near-complete apartments and a wider pipeline reported at anywhere from 3,500 up to 14,000 further homes (citing data available as at August 2026).



Source: Bloomberg

Bathla funded its expansion almost entirely through private credit rather than bank debt, taking out land loans, construction loans and “residual stock” loans, some with personal guarantees from Bhushan and offering lenders returns around 15%, well above typical market rates.

More than 40 private credit funds, in Australia and abroad, ultimately lent the company approximately A$3.3 - $3.4 billion.



Source: Bloomberg

The collapse reflects the convergence of several forces at once:

- rising construction costs
- project delays
- a genuine housing-market correction, all hitting just as (the company's debt-funded growth model needed continued price appreciation and sales momentum to work).
- despite the adverse macro conditions, sources are also citing mis-management within the company and the 'stretching thin' of resources across the multiple projects.

Much of the lending against Bathla's projects was written using *"as-if-complete" valuations* – meaning that the figures assumed that a project finishes on time, on budget, and sells at brochure-advertised prices.

As Sydney's market turned, those assumptions no longer held.

Development finance carries a structural feature that delays intervention: an unfinished building is worth very little until completed, so a lender's rational response to trouble is often to advance further capital rather than walk away and crystallise a loss. This was part of why leverage against Bathla kept building even as risk signals accumulated.

The company declared insolvency on 25 August 2026, appointing Teneo as administrators. At the time, some staff had gone unpaid for roughly eight weeks, and administrators indicated Bathla lacked even enough cash to meet near-term payroll, requiring an emergency A$20 million facility simply to keep operating for five weeks while a rescue was negotiated.

Prior Regulatory History and Warning Signs

Bathla's collapse was not without prior warning.

In 2011, Australia's corporate regulator alleged the company engaged in "unconscionable conduct" over its lending practices, claiming that between 2004 and 2009 it provided financing to buyers - many of them immigrants from Sudan or the Philippines, without verifying whether they could afford the loans; Bathla agreed to an enforceable undertaking to compensate affected buyers.

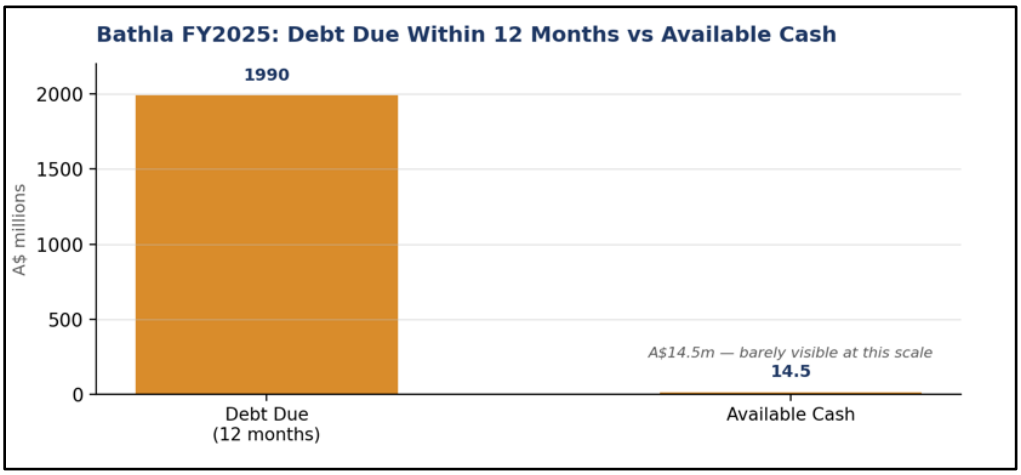
More recently, the company had run foul of the NSW Building Commission, which issued a number of show-cause notices over compliance issues, and separately owed almost A$145 million to the Australian Taxation Office at the time of its collapse.

Quality concerns reportedly stretch back at least a decade: architect Tone Wheeler, who has worked on two Bathla developments, said the company's build-quality issues were "open knowledge" in the property industry as early as 2015.

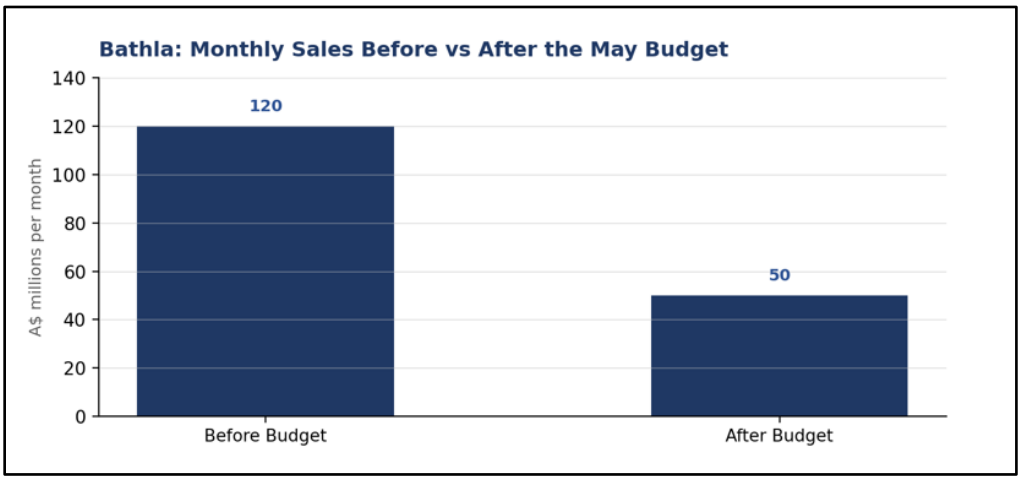
In 2017, local reporting found the company (then trading as Universal Property Group) was party to 12 of the 30 court matters Blacktown council faced that year, as it pushed development applications through against council resistance.

Bathla's growth outpaced its financial resilience heading into the downturn:

- In the 2025 financial year its total debt rose 7% to A$2.85 billion, with A$1.99 billion due within just 12 months, while more than 20% of revenue was consumed by debt-financing costs.
- Most of its assets (~A$3.51 billion) were tied up in illiquid inventory such as undeveloped land, leaving the company with only A$14.5 million in readily available cash as a buffer.
- Sales momentum also collapsed after the May budget: one estimate cites Bathla's sales fell from around A$120 million a month beforehand to about A$50 million a month afterward.



Source: Bloomberg



Source: Bloomberg

Impact From the Collapse

- Roughly 2,500 near-complete apartments, and thousands more at earlier stages, are left in limbo, directly affecting homebuyers with off-the-plan contracts. This cohort face deposit uncertainty (including possible unsecured-creditor status where deposits were not held in trust), build-quality risk, and a rescue process that could add further cost and time,
- Bathla employees and contractors (~ 350 staff) face unpaid wages and job insecurity, with more than 200 formally stood down; contractors are among roughly 3,000 creditors with no security over their claims.
- Private credit investors (particularly retail) in exposed funds (notably RMBL's older, conservative Melbourne client base chasing ~9% - 10% advertised returns)
- Retail investors who invested via self-managed super funds and intermediaries face uncertain recovery timelines and possible capital impairment;
- Investors in unrelated funds face reduced liquidity from pre-emptive gating.
- Fund managers face reputational exposure, negotiation costs across a divided, 40-plus-lender creditor group with competing security positions, and (for the most exposed), potential capital losses depending on capital-structure position and collateral realisation.

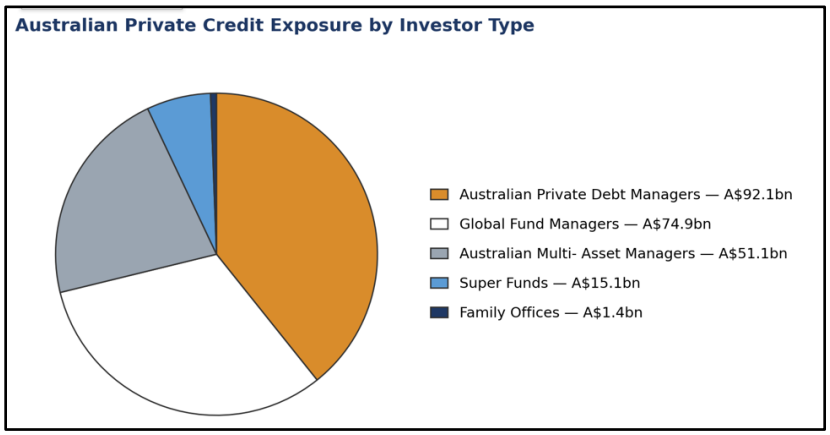
- Heightened scrutiny of the entire A$200 billion Australian private credit sector, accelerated calls for transparency, engagement from the Reserve Bank and federal Treasurer, and an open question across the market as to whether other significant potential adverse events will show up in the near term.

Private Credit Fund Managers Impacted

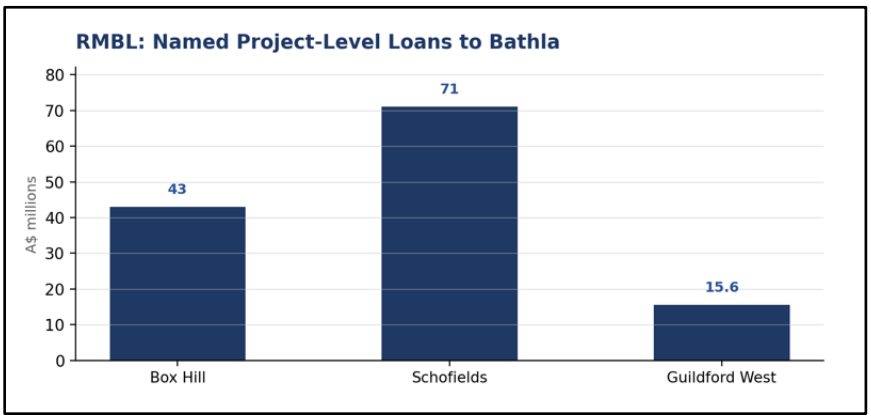
At an early creditors' meeting, the creditors were estimated to be around 3,000 creditors including more than 40 private credit lenders with uneven exposures. The main fund managers are listed below (along with relevant comments as available in the public domain).

1) PAG Group
   - PAG has more than $300mn to Bathla exposure
   - PAG considers its position well-secured and has not restricted investor withdrawals;
2) Balmain
   - a smaller and longstanding lender, expects to fully recover its loans and is advancing further modest capital to finish specific near-complete buildings
3) RMBL Investments
   - RMBL (a Melbourne-based mortgage fund) with a roughly A$2.85 billion loan book and about 4,900 retail investors has disputed exposure estimated at anywhere from roughly A$100 million to A$200 million across three specific project loans.
4) Centuria Bass
5) CVS Lane Capital Partners
6) 360 Capital Group
7) Leda Holdings
8) Credit Connect
9) La Trobe Financial
10) Ray White Capital
11) MaxCap
12) Wingate
13) Austar Finance
14) Woodbridge Capital

Australian private credit fund managers have the highest exposure to Australian private credit.



Source: EY Parthenon, Bloomberg



Source: AFR, Bloomberg

In addition to the human cost where home buyers are left stranded, the collapse has also touched SMSFs, where investors have been impacted through an intermediary, *Vertex Funds Management*.

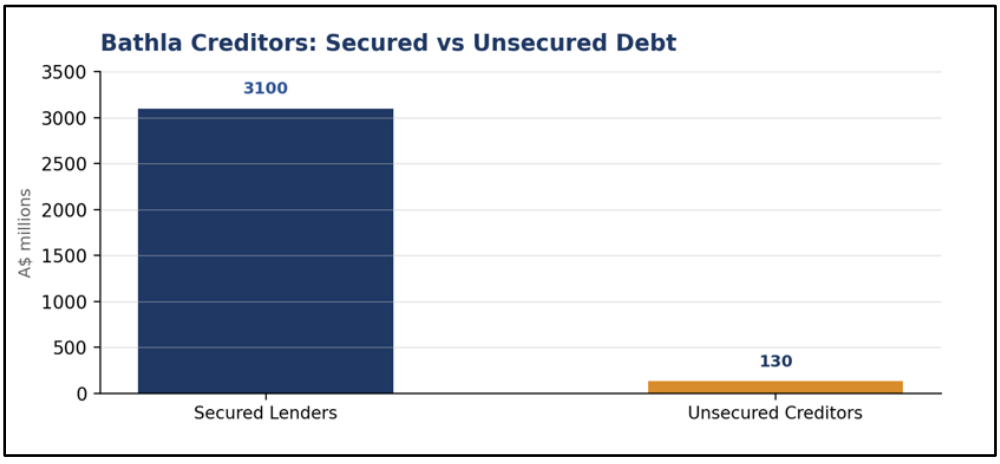
Bathla Credit Tranche Breakdown

In early September 2026, the Administrator's presentation at a creditors' meeting showed the following creditor breakdown (of a total of $3.44 billion):

- secured lenders: A$3.1 billion
- unsecured creditors: (estimated) A$94 million - A$130 million
- Australian Taxation Office: $145 million
- suppliers: $110 million

This is the first public confirmation of how thinly protected the unsecured tail of creditors (including staff and some homebuyers) actually is relative to the secured majority.

Teneo also disclosed that a number of lenders had issued default notices and statutory notices of demand to Bathla ahead of its administration, suggesting the company's distress was becoming apparent to at least some lenders before the formal collapse.



Source: Bloomberg

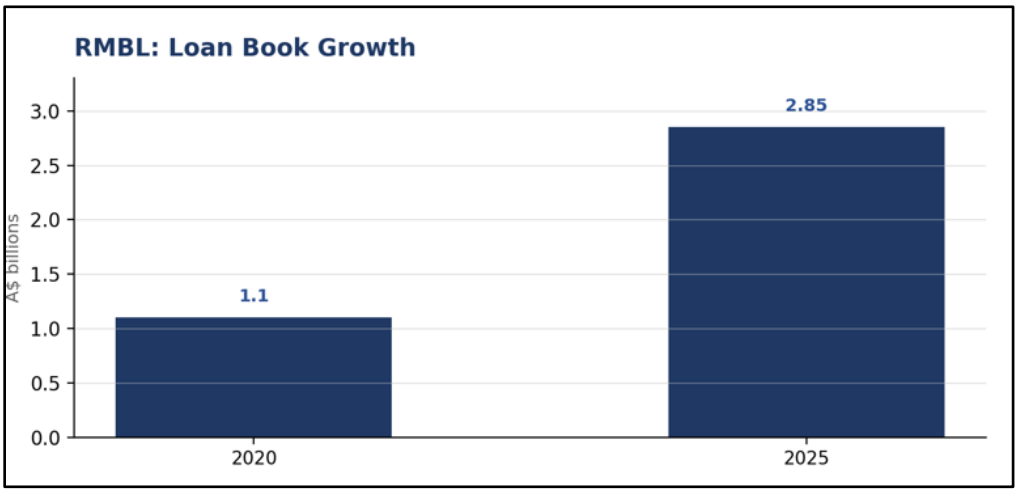
Caution Across the Sector

Contagion has already spread beyond Bathla's direct lenders: fund managers with no exposure to the company have pre-emptively tightened redemption terms to avoid being forced into distressed sales of their most liquid assets to meet a wave of nervous investor withdrawals (eg. In the case of MA Financial Group)

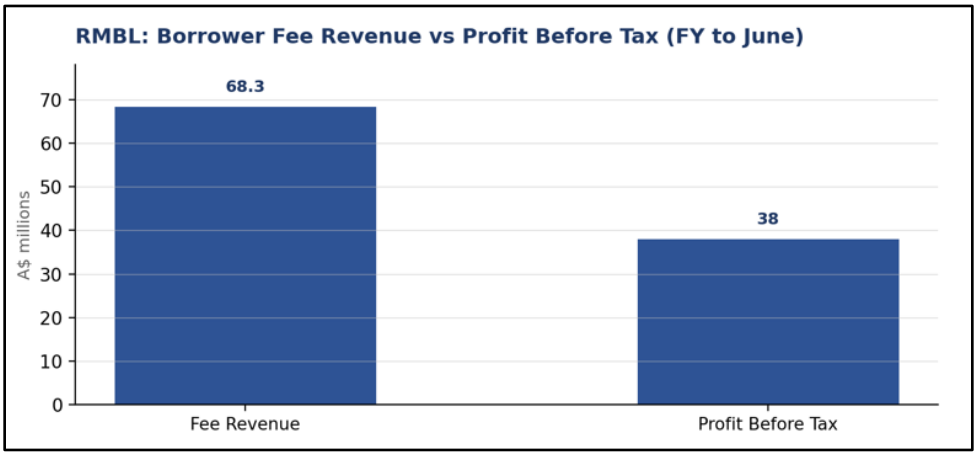
A Note on RMBL

RMBL's rapid rise is itself part of the story:

- Its loan book grew from roughly A$1.1 billion in 2020 to A$2.85 billion by 2025, funded by around 4,900 retail investors able to commit as little as A$10,000.
- The business is also highly profitable on the lending side - generating A$68.3 million in borrower fees and A$38 million of profit before tax in the twelve months to June 2026.
- This is a reminder that the fee economics of private credit platforms can remain lucrative even as specific credit exposures come under pressure.



Source: AFR, Bloomberg



Source: AFR, Bloomberg

Response to the Bathla Collapse

Regulatory Response

The collapse is being treated as a sector-defining event rather than an isolated corporate failure.

ASIC chair Sarah Court described it as *"the first real test"* for Australian private credit, stating regulators are seeing *"the first significant cracks"* in the market, with more information expected to emerge in coming months.

ASIC has multiple enforcement investigations underway across the sector and has previously found real estate assets make up roughly half of the Australian private credit market.

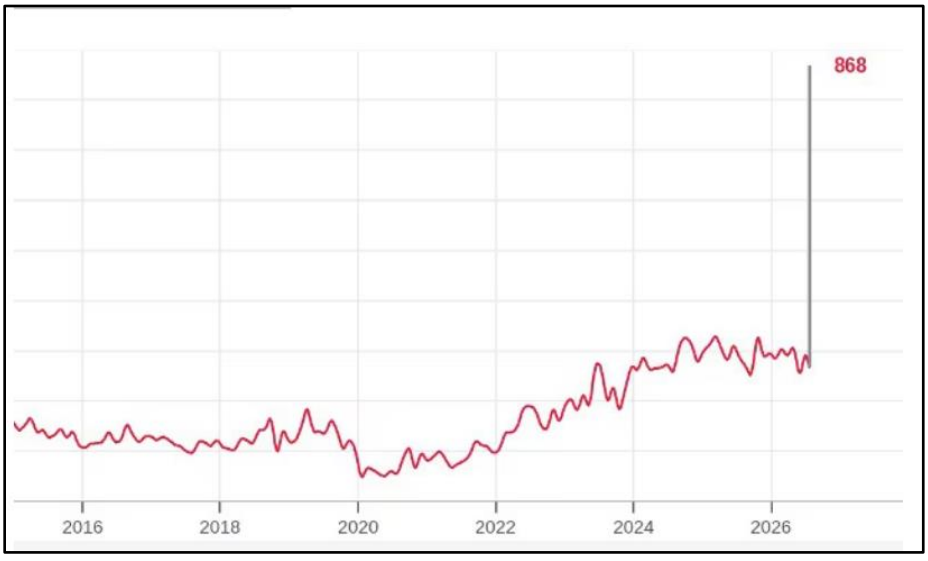
Testifying at a parliamentary hearing, ASIC commissioner Simone Constant described the "extraordinary complexity" of the Bathla Group's financing structure and said the regulator was concerned that retail investors may be among the private credit lenders backing the company. ASIC is working with Bathla's administrators "to get to the bottom of where these funds have gone".

Interestingly, ASIC is also engaging with AUSTRAC, Australia's financial crimes agency, on the matter. ASIC also indicated they might engage Treasury on improving transparency and data access within this sector. .

Sector Insolvencies

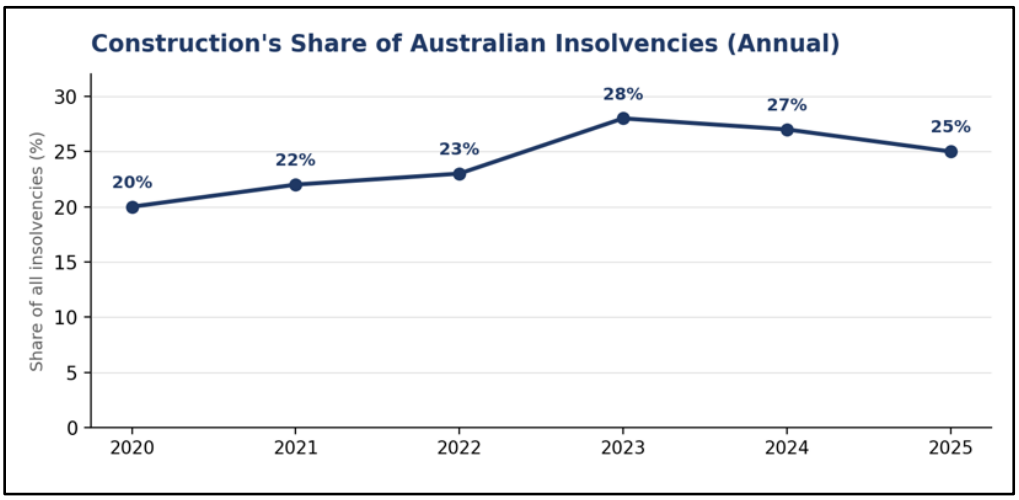
From an industry statistic perspective, Construction sector insolvencies soared in August 2026 to a record high 868 (concentrated in residential building). However, it is estimated by CreditWatch that Bathla accounted for somewhere between 500 and 600 collapses (due to how the company is structured).

Australian Construction Sector Insolvencies (August 2026)



Source: CreditorWatch

Construction has historically accounted for roughly a quarter of all Australian corporate insolvencies in each of the past six years. This is a structural vulnerability that pre-dates and extends well beyond this single collapse.



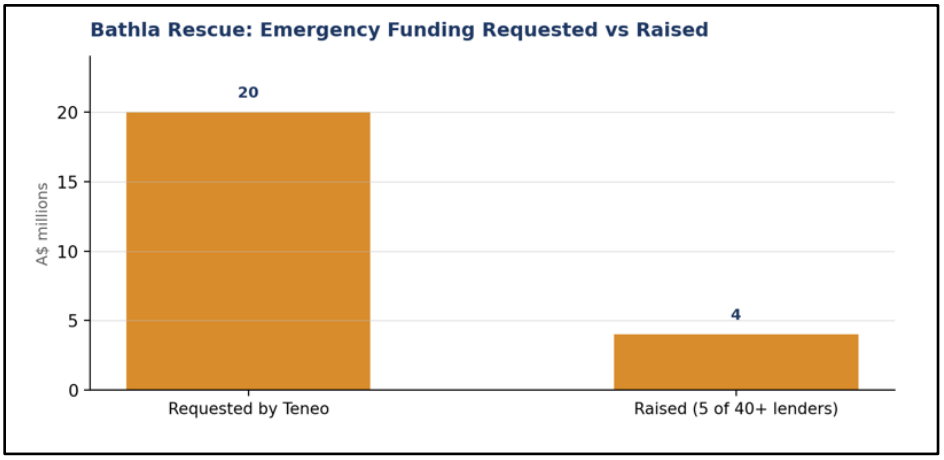
Source: ASIC

The Rescue Attempt and Bathla Creditor Responses

Efforts to keep Bathla operating have repeatedly fallen short. Administrator Teneo asked secured creditors for A$20 million to keep the business running while a rescue plan was drawn up; it ultimately secured just A$4 million in stopgap funding, and only from five of Bathla's 40-plus private lenders:

- PAG
- La Trobe Financial
- Centuria Bass
- Ray White Capital
- RMBL Investments.

It is worthwhile noting that this funding is earmarked solely for projects linked to those five backers, leaving other sites suspended.



Source: Bloomberg

The rescue has stalled largely because Bathla's creditor base is structurally divided.

Some lenders hold loans fully secured by near-complete apartments; others hold debt secured only by barely developed land; mezzanine (junior) lenders stand further back in the repayment queue behind secured creditors; and some parties (including Bathla's own unpaid staff and home buyers whose deposits were not held in trust) - have no security at all.

Each group's incentives differ:

- lenders close to finishing a project (such as Centuria Bass) have pushed for further funding to complete construction
- other lenders (such as Balmain) have declined to contribute further capital. Balmain chief executive Andrew Griffin was blunt about where he places responsibility: “The true origin of their demise was over-stretching their management teams across too many jobs,” he told investors, explicitly rejecting Bathla's own framing of a “perfect storm” of softening sales, tax changes and rising costs.
- other lenders (such as Ray White Capital, Austar Finance and Woodbridge Capital) have already appointed receivers over specific land assets.

The stakes of a failed rescue are high:

- without further funding, Bathla faces liquidation, which would trigger forfeiture of its building licence and leave it unable to sell apartments to repay creditors.
- in mid-September, the NSW courts agreed to approve a 12 month extension of the convening period to allow the company to complete projects (already underway) in a bid to stay afloat.
- the Administrators can convene the second meeting of creditors earlier than the scheduled 13 September 2027 if the circumstances allow.
- the Reserve Bank of Australia is monitoring the situation for systemic risk, while ASIC has separately complained it has limited visibility into the risks the private credit sector poses to investors.

Conclusion

Bathla's collapse appears to be a local instance of a broader global theme: scarcity. Bond markets are signalling that capital, long abundant, is becoming scarcer - governments are repeatedly returning to lenders to fund large deficits driven by populist spending commitments, while large technology companies are separately queuing up to borrow hundreds of billions of dollars to fund AI infrastructure investment.

Rising inflation in energy and food markets reflects a parallel scarcity in natural resources, driven by geopolitical tension, active conflict, and weather risk.

Corporate capital expenditure (outside data centres and copper mining) is notably subdued and there is caution as investment and reinvestment are becoming increasingly uneconomic given persistent planning delays, rising costs and a slowing growth outlook.

The same scarcity and caution dynamic maps onto two specific credit exposures investors should treat with particular caution. Overseas, the largest source of stress in the global private credit market has been software and technology-sector lending, amid concerns that generative AI could structurally disrupt the business models underpinning many existing loans.

Domestically, the equivalent concentration risk is real estate and property development lending, estimated at 50% - 60% of the Australian private credit market. Bathla is the clearest and largest manifestation to date, but coverage consistently frames the open question as whether - similar exposures surface as the housing correction continues.

It is prudent for investors to not view the Bathla collapse as an isolated local credit event, but rather a visible symptom of a wider capital-scarcity dynamic – which is also showing up in global bond yields and inflation more broadly. Similar dynamics could plausibly surface in other Australian private credit exposures, not only real estate.

Australia is heading into a period of further rate rises, increasing fuel costs, minimum wage increases etc – likely additions to the perfect storm that has triggered the Bathla collapse.

Whilst the Australian private credit sector is not currently firmly categorised as a crisis, investors should watch for further construction sector stress spread. The residential property makes up a large share of household wealth, and any significant downturn would have more lasting consequences.

Suggested Governance Framework

Assessing Managers with Direct or Indirect Bathla Exposure

Step	Action	Key questions
1. Exposure mapping	Identify every underlying manager/fund with disclosed or suspected Bathla exposure	What is the confirmed vs. disputed exposure amount? (Even large, established managers have disputed figures.)
2. Capital structure review	Determine where each exposure sits in Bathla's capital structure	Senior secured, mezzanine, or unsecured? What collateral backs the loan, and at what valuation basis?
3. Manager response assessment	Review each manager's public and direct communications on Bathla	Has the manager restricted redemptions? What is the stated rationale and expected impact on liquidity?
4. Valuation scrutiny	Request updated, realistic-assumptions-based valuations for affected positions	Are valuations still "as-if-complete"? Have they been independently reviewed since the collapse?
5. Liquidity impact review	Assess flow-on liquidity risk even to unaffected mandates	Has the manager (or peers) pre-emptively gated other, unrelated funds? What does this mean for near-term access?
6. Engagement and escalation	Formally engage the manager on remediation and monitoring commitments	What specific disclosure, monitoring or governance changes will the manager commit to going forward?

Strengthening Oversight and Monitoring

Area	Recommended practice
Manager selection	Require evidence of manager co-investment/alignment, sector specialisation, and a track record through at least one prior period of stress
Valuation standards	Mandate disclosure of valuation methodology at onboarding and each reporting period; treat forecast-based valuations as requiring added scrutiny and conservatism

Area	Recommended practice
Concentration limits	Set and monitor explicit limits on exposure to correlated risk factors (e.g. real estate development lending in Australia; software-sector lending globally)
Liquidity terms	Confirm and periodically re-confirm each fund's redemption terms and gating triggers, independent of manager-provided marketing materials
Ongoing monitoring	Establish a standing schedule tracking debt-to-equity conversion trends, redemption/gating activity, and secondary-market pricing on comparable exposures
Regulatory alignment	Track ASIC (and equivalent global regulator) guidance and enforcement activity as a floor for expected manager conduct
Reporting cadence	Increase reporting frequency and granularity for managers with material real-estate or single-sector concentration
Escalation protocols	Define clear internal triggers (manager gating, valuation write-down, regulatory investigation) that prompt formal review of continued allocation

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