



# **CRISIL** NBFC Report - 2020

## **NBFCs in a post-pandemic world**

The declining trajectory of non-bank credit growth began in the second half of 2018-19 amidst the economic slowdown and continued in fiscal 2020 with the onslaught of the pandemic. The gradual impact of the economic slowdown on the sector was expected to enable defence mechanisms. But, the pandemic rendered an immediate and debilitating impact.

The Reserve Bank of India (RBI) consented to a moratorium on loans from banks until August 2020, but not on non-banks capital market borrowings. The primary challenge for most non-banks, then, is ensuring adequate liquidity to meet repayments in the near term. The secondary challenge is ensuring that asset quality remains under control through various precautionary measures, including contact with, and support to borrowers in this unprecedented crisis.

Non-bank finance companies (NBFCs) will need to recalibrate their strategies in a post pandemic world.



## **CRISIL view**

Recalibrate strategies in a post pandemic world.



- How will **strategic shifts** impact credit growth in the sector?
- When will liquidity **improve**?
- Will the central government's and RBI's **liquidity enhancement measures** help NBFCs?
- Can NBFCs achieve pre-2018 growth in the medium term or **will growth remain anaemic**?
- What key factors could **drive growth**?
- Will the **earnings growth trajectory** worsen?
- How much **capital** will NBFCs need over the next two years?
- What could separate the **winners** from the losers?
- Where are the **opportunities for growth**?

## Our coverage

- Overall and segment-wise impact of the pandemic on NBFCs
- Detailed assessment of the competitive scenario with banks and the market share of NBFCs
- Perspective of regulatory impact
- Company profile along with financial and operational benchmarks
- Advancement in digital platforms for lending

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Overall NBFC  
Segment wise outlook\_NBFC

Research

### Summary NBFC Report - 2019

Sep 16, 2019

After witnessing healthy growth over the past few years, non-bank credit growth is expected to remain low in the coming years.

#### Key messages

NBFCs' credit growth dropped significantly in fiscal 2019; credit growth to further slow down in fiscal 2020

- After the September 2018 crisis, credit growth of non-banks declined ~800 bps to ~13% in fiscal 2019 and is expected to witness a ~9-11% growth in fiscal 2020.
- Liquidity squeeze and slowdown in some segments attributed to slower growth for non-banking finance companies (NBFCs); second half of fiscal 2020 is expected to witness

# NBFC Report

Extensive quarterly coverage on 12 key NBFC segments

## Sectoral coverage

Wholesale

MSME (including loan against property)

Infrastructure

Auto

Housing

Low-cost Housing\*

Construction Equipment

Gold

Microfinance

Consumer Durables

Education

Personal Loans

## NBFC overview

- Impact of COVID-19 on NBFC segment:
  - Credit growth
  - Asset quality
  - Liquidity & Fund raising
- Government and RBI measures
- Relative attractiveness of the NBFC segments based on growth and profitability outlooks
- Outlook on yields and spreads for various asset classes
- View on the borrowing mix of NBFCs
- Movement in player wise interest rate spreads
- Capital raising requirements
- Role of digital in origination and appraisal
- Securitisation market overview and trend
- Industry overview and regulatory changes
- Quarterly update monitoring performance & outlook

## Segment-wise coverage

COVID Impact on each segment

Outlook on underline segment

Market share of NBFCs vs banks

Growth outlook for NBFCs

Profitability of NBFCs: Review & outlook

Asset quality: Review & outlook

Key growth drivers and challenges

Note: \*Ticket size lower than Rs. 10 lacs  
Source: CRISIL Research



**Covering more than  
200 non-banks**

# Company Profile and Interactive Tool

To measure standalone and comparative performance indicators



## Company profile

- Company history
- Rating information
- Key financial indicators of the past five years
- Profit and Loss Statement of the past five years
- Balance Sheet of the past five years
- Profitability Ratios of the past five years
- Borrowing Mix of the past five years



## Interactive tool- Operating Benchmarks

- Borrowing mix
- Profile mix
- Branches
- Employees
- Operating expense by total income
- Profit after tax per employee
- Yield on advances
- Cost of funds
- Total interest expenses
- Total income



## Interactive tool- Financial Benchmarks

- 1) Industry to Company
- 2) Industry to Industry
- 3) Company to Company

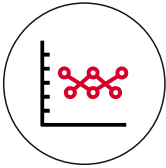
### Parameters of Assessment

- Advances
- Return Ratio
- Asset Quality
- Spread Analysis
- ROA Tree
- Other Ratios



# Housing finance | Table of Contents (ToC)

## Opinion



### Outstanding portfolio growth and market dynamics

- Review of growth in the housing finance market
- Impact of COVID19
- Growth outlook for housing finance companies (HFCs) in FY 2021 & FY 2022
- Analysis of large HFCs vis-à-vis small and medium sized HFCs
- Market share and outlook of HFCs vs. banks
- Player-wise market share of HFCs
- Breakup of HFC portfolio (retail and non-retail housing loans)
- Ticket size wise breakup (Large > Rs 25 lakhs vs Affordable housing < Rs 25 lakhs)

## Key growth drivers



### Profitability

- Borrowing profile of HFCs
- Profitability outlook for HFCs
- Comparison of profitability between large, mid-sized and small HFCs
- Profitability - retail housing loans and non-retail segment



### Asset quality

- Trend in gross non-performing assets (GNPAs)
  - Ticket size wise asset quality (large vs affordable housing finance)
- Outlook for GNPAs



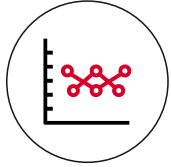
### Key risks Industry Information

- Underlying asset dynamics and demand drivers
- Regulatory framework and changes
- Key risks and challenges



# Low cost housing finance (Ticket size < Rs 1 million)

## Opinion



### Outstanding portfolio growth and market dynamics

- Overview of the low cost housing segment
- Impact of COVID19
- Outlook for low cost housing finance focused HFC growth in FY 2021 & FY 2022
- Key drivers for growth



### Asset quality

- Trends in GNPA's
- Outlook for GNPA's



### Profitability

- Borrowing mix of housing finance players based on size
- Profitability of housing finance players based on ticket size

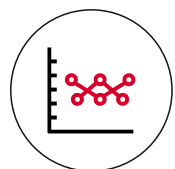


### Industry Information

- State of the market and segmentation
- Competitive scenario and strategy
- Business model
- Key risks
- Government schemes to support low cost housing finance



## Opinion



### Outstanding portfolio growth and market dynamics

- Review of growth in the overall infrastructure financing market
  - Growth in infrastructure projects sanctioned by financial institutions
  - Funding requirement
  - Sector-wise share of investments
- Impact of COVID19
- Comparison of NBFC funding and other sources
- Growth outlook and market share outlook for NBFCs for FY 2021 & FY 2022
- Key growth drivers
- New funding avenues for the infrastructure sector
- NBFCs' product mix and borrowing profile



### Asset quality

- Trends in GNPA and restructured assets
- Outlook for GNPA in the wake of COVID19



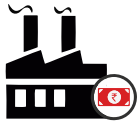
### Profitability

- Profitability - for overall NBFCs excluding PFC and REC (power finance corporation and rural electrification corporation )



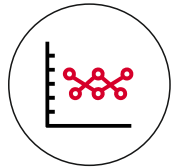
### Industry Information

- Underlying asset dynamics
- Regulatory framework
- Key growth drivers and risks in the finance market



## Opinion - MSME secured loans

- Impact of COVID19
- Government measures to improve access to funds for MSMEs



### Outstanding portfolio growth and market dynamics

- Review of growth in the market for loans against property (LAP)
- Outlook for LAP market growth in FY 2021 & FY 2022
- Key drivers for growth
- Market share and outlook of non-banks vs. banks
- Business models for non-banks, private sector banks and public sector banks
- Profile of non-bank customers



### Asset quality

- Trends in GNPA's
- Outlook for GNPA's in the wake of COVID19



### Profitability

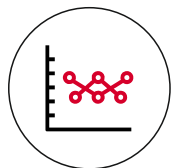


### Risk factors



### Outstanding portfolio growth and market dynamics of non-LAP secured finance

## Opinion - SME unsecured loans

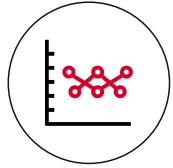


- Current market size and growth
- Growth outlook for NBFCs in FY 2021 & FY 2022
- Market share and outlook NBFCs vs. banks
- Profitability for NBFCs
- Unsecured lending dynamics



# Auto Finance | Overall auto finance

## Opinion



### Outstanding portfolio growth and market dynamics

- Impact of COVID19 on the auto finance market
- Growth outlook for underlying assets
- Growth outlook for NBFCs (including segment-wise growth expectations for new vehicle sales) in FY 2021 & FY 2022
- Market share and outlook of NBFCs vs. banks
- Breakup of NBFC portfolio
- Segment wise key parameters such as penetration, Loan to Value, and tenure
- Comparison between small, medium and large companies
- Comparison between captive and non-captive companies
- Geographical branch penetration



### Profitability

- Borrowing mix
- Profitability



### Asset quality

- Trends in GNPA's
- Outlook for GNPA's

## Industry Information



- Underlying asset dynamics and demand drivers
- Evolution
- Regulatory framework
- Overview of unorganised and organised used car market
- Business models adopted by used car dealers
- Key success factors for used commercial vehicles financing
- Customer profile and business sourcing
- Competitive advantages of NBFCs



# Auto Finance | Tractor and Commercial Vehicles (CVs)

## Opinion



### Tractor finance

- Disbursement growth outlook for FY 2021 & FY 2022
- Trend in tractor sales
- Tractor sales: growth drivers (near and long term)
- Region-wise and hp-wise tractor sales
- Key market parameters (Loan to value, finance penetration)
- Share in disbursements for NBFCs, private sector banks and others
- Profitability
- Asset quality
- Recent developments



### Used CV finance market

- Disbursement growth outlook – separate growth calls for light commercial vehicles (LCV) and medium to heavy commercial vehicles (MHCV)
- CV sales trend – LCV and MHCV
- Share in disbursements for NBFCs vs Banks
- Profitability

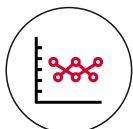
### Used car finance market

- Current market size and past growth
- Disbursement growth outlook for FY 2021 & FY 2022
- Profitability



## Wholesale finance

### Opinion



#### Outstanding growth and market dynamics

- Impact of COVID19 on the wholesale finance market
- Wholesale finance | Definition and segmentation
- Current market size and growth
- Market share of NBFCs vs. banks
- Growth outlook for NBFCs for FY 2021 & FY 2022
- Player-wise market share of NBFCs
- Key competencies to help NBFCs sustain business growth despite competition from banks
- Key operating parameters



#### Profitability



#### Asset quality

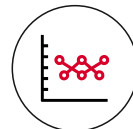


#### Key risks and mitigation measures



## Consumer durable finance

### Opinion



#### Outstanding growth and market dynamics

- Market size and growth
- Impact of COVID19
- Growth in underlying assets and share of consumer durables in total domestic sales
- Growth outlook for NBFCs for FY 2021 & 2022
- Key growth drivers
- Competition analysis | Market share of NBFCs vs. Banks
- Key consumer durable financing schemes and scheme structure
- Key market trends (Loan to Value, average ticket size, tenure, subventions etc.)



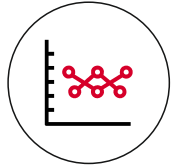
#### Profitability and asset quality

- Revenue stream for a financier
- Costs of financier
- Level of GNPA's for NBFCs



# Gold Loan

## Opinion



### Outstanding portfolio growth and market dynamics

- Review of the gold loan market
- Impact of COVID19
- Market share and outlook of NBFCs vs. Banks
- Growth outlook for NBFCs in FY 2021 & FY 2022
- Region-wise breakup of the NBFC portfolio
- Player-wise market share of NBFCs



### Profitability

- Trends in yield on advances and cost of borrowings of NBFCs
- Profitability



### Sources of funds for NBFCs



### Asset quality

- Trends in GNPA's
- Outlook for GNPA's



### Industry Information

- Underlying asset dynamics and demand drivers
- Features of gold loans (interest rate, tenure, LTV, ATS)
- Key growth drivers and risks in the finance market

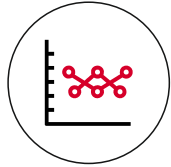


### Emergence of online gold loans



# Micro finance

## Opinion



### Outstanding portfolio growth and market dynamics

- Review of growth in assets under management (AUM) for micro-finance institutions (MFIs)
  - Growth in ticket size and number of clients
- Growth outlook for MFIs for FY 2021 & FY 2022
- Competitive scenario
- Key trends in MFI and bank portfolios (average ticket size, loan portfolio)
- Player-wise market share of MFIs
- State-wise split of MFI AUM and client base
- State wise portfolio growth of MFIs



### Profitability

- Profitability outlook for NBFC MFI players
- Trend in securitization



### Asset quality

- Trend in GNPA's
- Asset quality in key states
- Outlook for GNPA's in the wake of COVID 19



### Industry Information

- Industry evolution
- Business models
- Regulatory framework

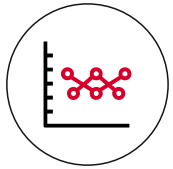


### Key growth drivers and risks in the finance market



# Construction equipment loans

## Opinion



### Disbursement growth and market dynamics

- Growth in disbursements – Review and outlook
- Impact of COVID19 on construction equipment finance
- Growth outlook for NBFC AUM for FY 2021 & FY 2022
- Construction equipment sales trends
- Organized vs unorganized segment
- Finance penetration
- Market share of NBFCs vs banks
- Breakup of NBFC portfolio (new vs used; contractor vs. hirer/rental)
- Player-wise market share of NBFCs



### Profitability

- Borrowing profile
- Profitability



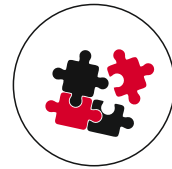
### Asset quality



### Recent initiatives and trends



### Impact of demonetization and GST



### Key challenges



### Industry Information

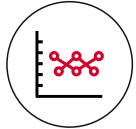
- Underlying asset dynamics and demand drivers
- Regulatory framework
- Key success factors and challenges in the finance market





## Education Loans

### Opinion



#### Outstanding portfolio growth and market dynamics

- Review of growth in the overall education loan market
- Impact of COVID19
- Key drivers for growth
- Outlook for market growth in education loan
- Segment wise distribution of loans disbursed
- Market share of non-banks vs. banks including outlook
- Offerings of Banks vs NBFCs
- Share of NBFCs in the overseas market
- Player-wise market share of NBFCs
- Growth trend of NBFCs
- Portfolio mix of NBFCs



#### Profitability and Asset Quality

- Profitability for overall NBFCs



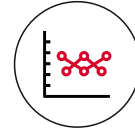
#### Asset quality

- Trend in GNPA's



## Personal Loans

### Opinion



#### Outstanding portfolio growth and market dynamics

- Review of growth in the overall personal loan market
- Impact of COVID19
- Key drivers for growth
- Outlook for market growth in personal loan
- Market share of NBFCs vs Banks
- Key factors driving the personal loan market
- Target customer segment for personal loans



#### Profitability and Asset Quality

- Profitability for overall NBFCs
- Level of GNPA's for NBFCs



## Fintech

- Overview of fintech in India
- Fintech adoption in India's lending market
- Factors driving fintech growth in India
- Issues related to cyber security and data privacy

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**CRISIL Limited:** CRISIL House, Central Avenue, Hiranandani Business Park, Powai, Mumbai – 400076. India

Phone: + 91 22 3342 3000 | Fax: + 91 22 3342 3001 | [www.crisil.com](http://www.crisil.com)

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