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INTEGRITY

India NBFC Sector Update - FY22

JUNE 2022

Glossary: Classification of 30 NBFCs used in this document

HFCs (10 NBFCs)



Microfinance(3 NBFCs)



Gold (2 NBFCs)



Diversified (15 NBFCs)



Summary snapshot



Key Performance Indicators

- NBFC credit growth has **recovered post pandemic to 10.3%**; major revival observed in **Diversified NBFC, MFI**
- Profitability boost due to reduction in credit costs; **MFI RoA increased by 100 bps, Gold NBFCs most hit while HFCs maintained RoA of 1.8%**
- Higher **NIMs at 5.1%** on account of higher yields; CIR for NBFCs inching up to pre-pandemic levels
- Bank financing continues to support NBFCs; MFs gradually starting to increase NBFC exposure post liquidity crises; Securitization deals picked up to **Rs 560 Bn in Q4FY22**



NPA and Risk Management

- **Improved collection efficiency** to lower GNPA's gradually going forward
- Stressed assets for MSME, MFI and Auto segment **expected to be at elevated levels (8-11%)**; Gold best placed
- IRAC norms put into effect - daily recognition of NPAs and upgrading NPA only after payment of all dues



Advances Deep-dive

- Auto Loan: New **PVs and CVs continue to dominate the book**; tractors benefited from healthy crop harvest
- Gold Loan: Demand **driven by sharp increase in gold prices**; rising share of online loans
- Personal Loans: Uptick witnessed in FY22 with economy normalizing
- Home, MSME and MFI Loans: Economic revival, government support to boost credit growth



Other trends

- NBFC bond yields inching up, but **G-spread at historical lows**
- Digital adoption increasing - focus on digital acquisition and on-boarding, partnerships with Fintechs and chat bots leveraged to improve customer service
- Recent RBI norms on provisioning to bridge the gap between Banks and NBFCs

India NBFC Sector Update - FY22



Macro Indicators

Key Performance Indicators- Industry (Banks + NBFCs)

Key Performance Indicators- NBFC Sector

Funding

NPA & Risk Management

Valuation

Advances Deep-dive (select products)

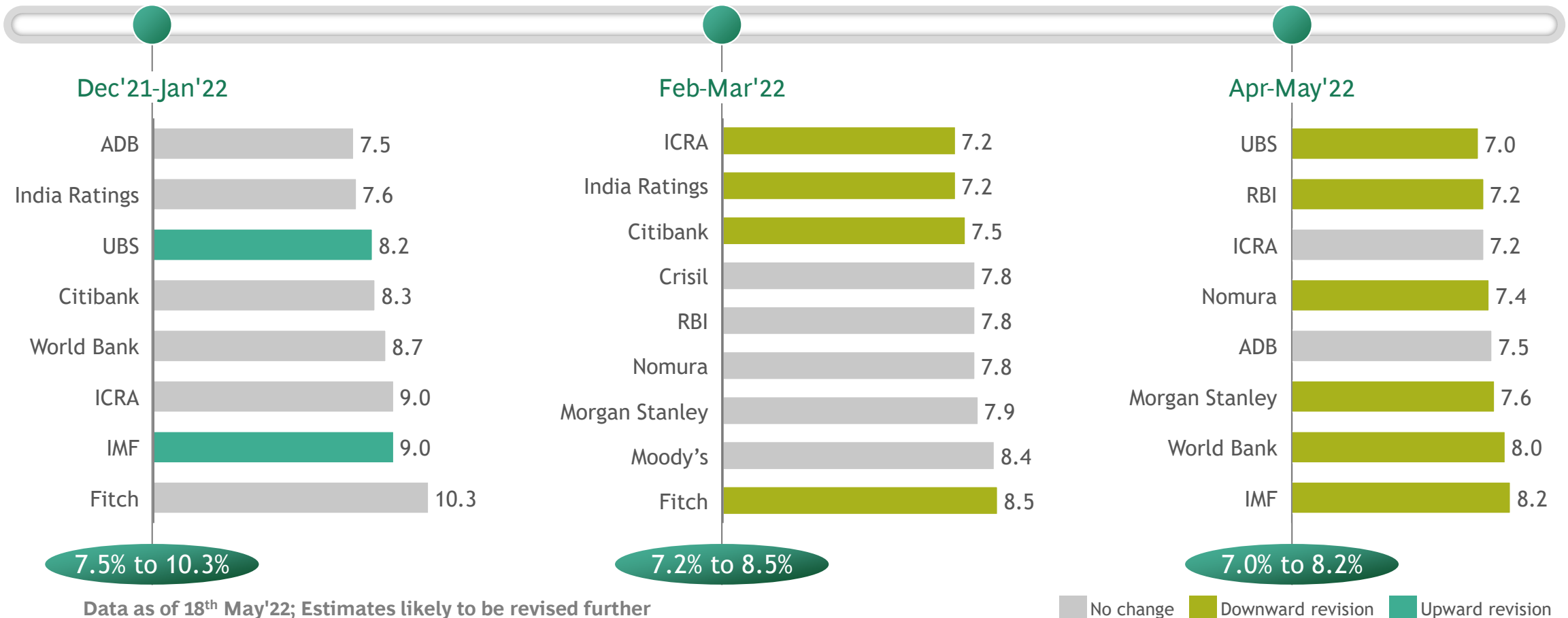
Recent Trends

Player Performance



India's FY23 GDP forecasted to grow between 7% to 8.2% YoY; most projections revised downwards during Apr-May '22

India GDP growth forecast for FY23 (YoY,%)



Data as of 18th May'22; Estimates likely to be revised further




Note: Upper-limit has been included where agencies reported forecast range. Latest forecasts considered in case of revision by agency within same month

Source: Analyst reports, BCG analysis



Most high frequency indicators improved vs. pre-COVID levels

Growth

		Vs. Pre-covid		Vs. Last year		Vs. Last month		
		Apr'22	Apr'19	CAGR ¹	Apr'21	YoY	Mar'22	MOM
 Banking, Financial Services & Insurance	UPI Value (INR Tn)	10.0	1.4	91%	5.0	99%	9.6	2%
	Total Deposits (INR Tn)*	164.7	125.7	9%	151.1	9%	162.2	2%
	Total Credit (INR Tn)*	119.0	97.7	7%	109.5	9%	116.4	2%
	NSE+BSE TxS. (INR K Cr)	1370.0	696.0	25%	1413.6	-3%	1491.3	-8%
	Insurance Prem. (INR K Cr)	39.5	26.0	15%	27.0	46%	81.2	-51%
 Macroeconomic	GST Collections (INR Tn)	1.7	1.1	14%	1.4	18%	1.4	18%
	WPI (%)					15%		
	CPI (%)					7%		
	Jan Dhan Deposits (INR Tn)	1.7	1.0	19%	1.4	16%	1.7	0%
	MGNREGA Emp. (HH)	17.1	17.0	0%	21.3	-20%	19.2	-11%
 Sentiment	Manufacturing PMI (Index)	54.7	51.8	2%	55.5	-1%	54.0	1%
	Services PMI (Index)	57.9	51.0	4%	54.0	7%	53.6	8%
	Current Situation Index *	71.7	104.6	-12%	53.1	35%	64.4	11%
	Future Expectations Index	115.2	133.4	-5%	108.8	6%	103.0	12%

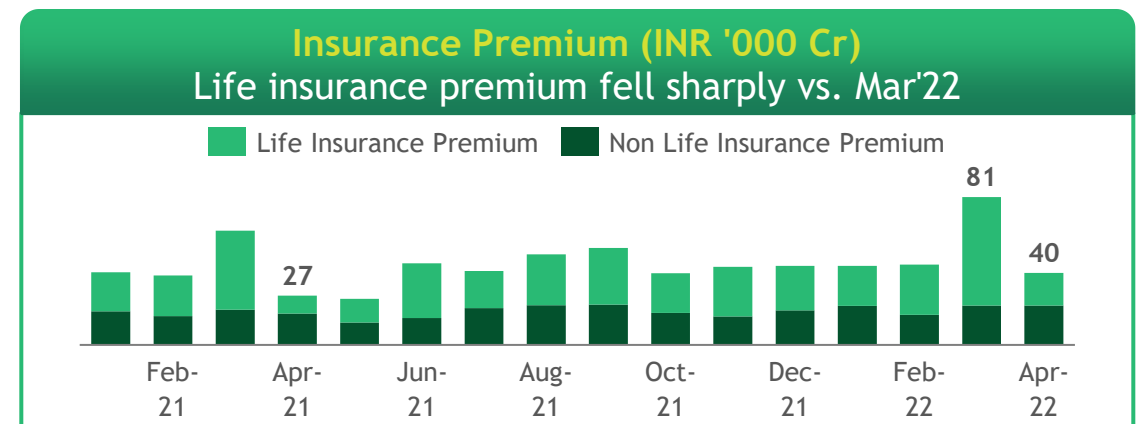
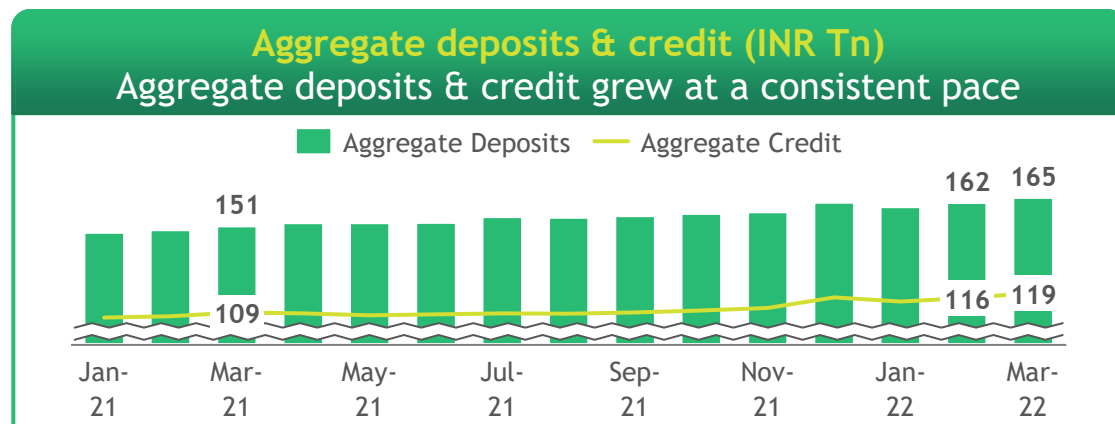
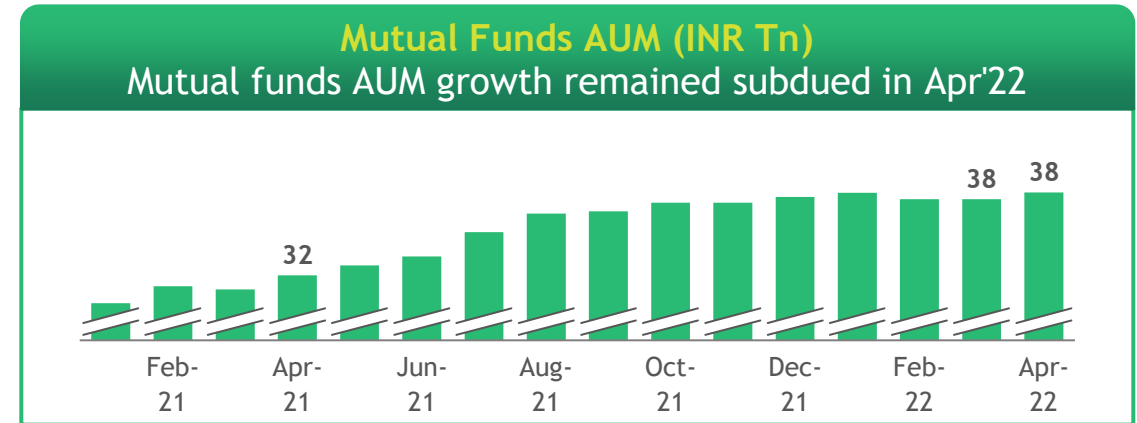
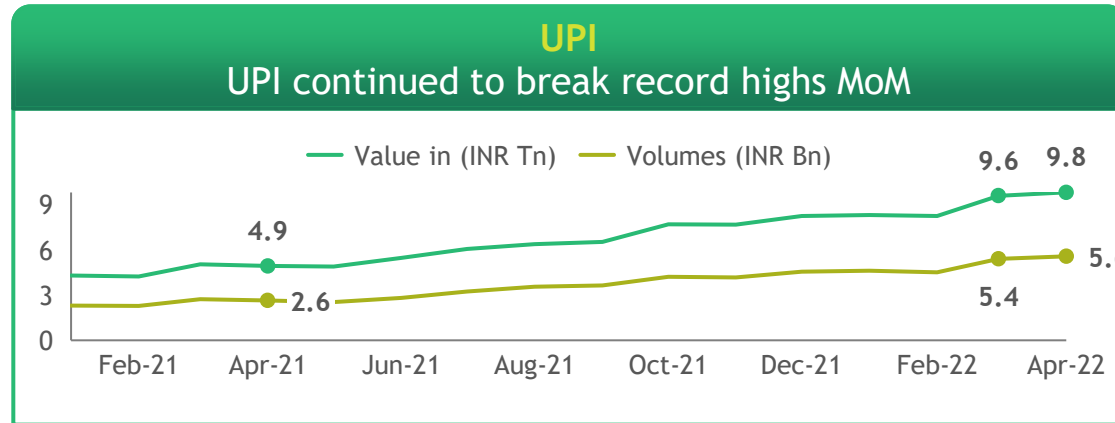
* Data available only upto Mar'22 as on 30-May - hence growth comparisons are for March and not April. Mar'22 data has been compared with Mar'19, Mar'21 & Feb'22 data for the pre-COVID CAGR, YoY & MoM growth comparisons.

1. CAGR calculated by taking 2022 month-wise data vs. 2019 levels (for respective month)



BFSI indicators exhibited mixed trends in Mar-Apr '22

UPI transaction value & volumes continue to scale | MF investment continues to grow at slow pace



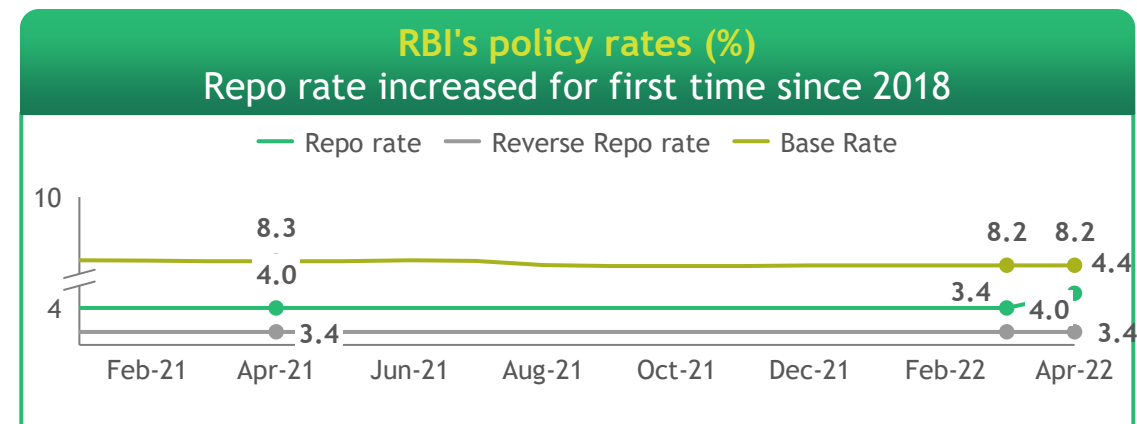
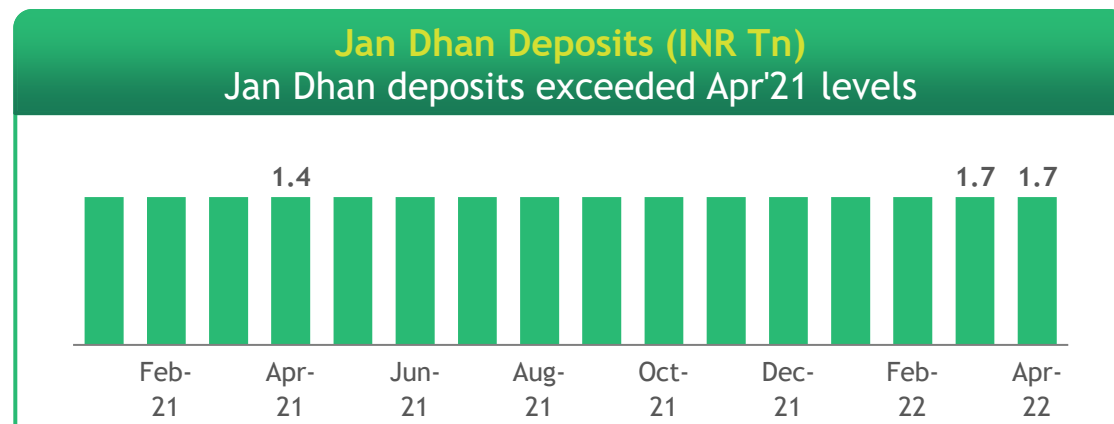
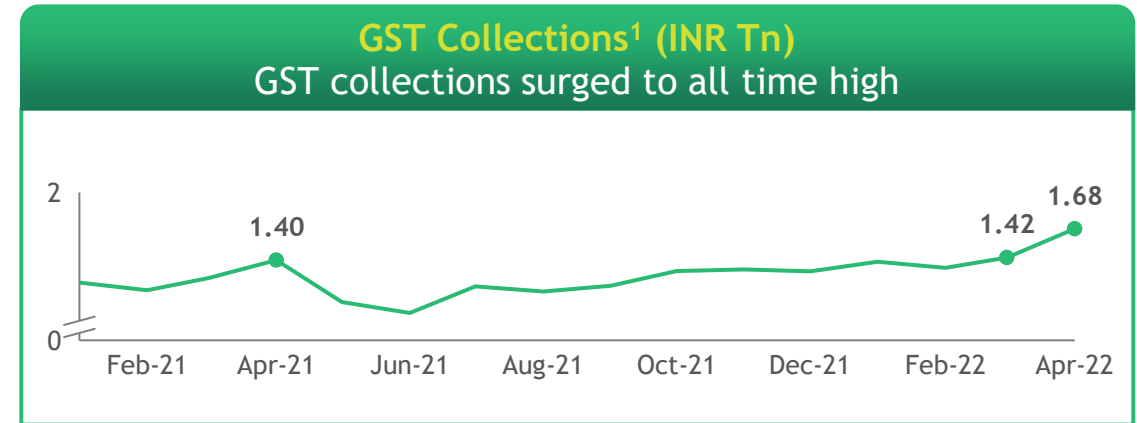
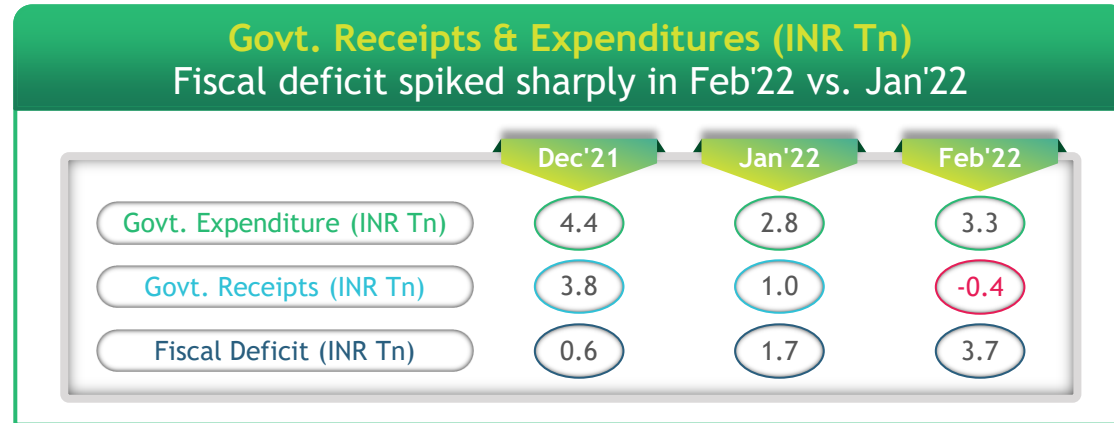
1. Mutual funds Assets Under Management (AUM) represented as recorded at end of every month shown. Mutual Funds AUM include investments from individuals (50.5%) & institutions (49.5%); institutions include domestic and foreign institutions and banks 2. Non-Life Insurance includes Fire, Marine, Motor, Engineering, Health, Cop Insurance, Credit Guarantee, Aviation, Personnel accident and Miscellaneous

Source: DBIE, NPCI, IRDAI, AMFI, BCG analysis



Select macroeconomic indicators witnessed moderate growth

Jan dhan deposits stabilized; GST collections recorded an all time high; RBI hiked repo rate for the 1st time since 2018



1.GST Collections include all components: CGST, SGST, IGST, Cess
 Source: Ministry of Finance, GST Council, GST Network , RBI, Jan Dhan Yojana BCG analysis

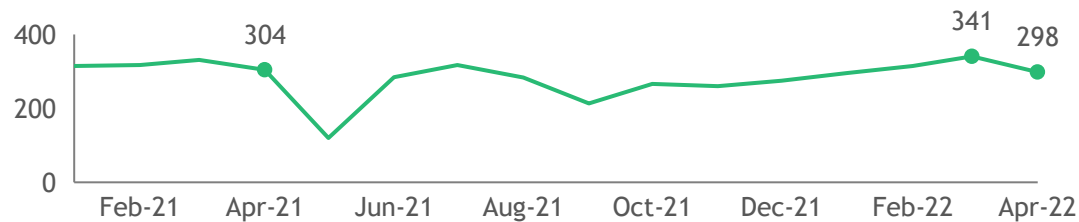


Auto sales exhibited mixed monthly growth trends

Tractor sales increased, 2W declined, whereas PV and 3W remained at similar levels

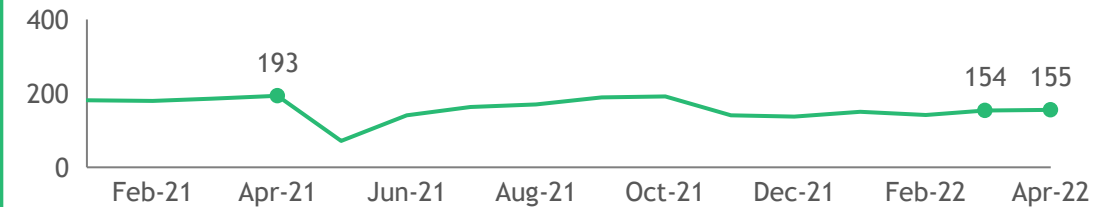
Passenger vehicles sales ('000 units)

PVs witnessed degrowth for the first time in 5 months



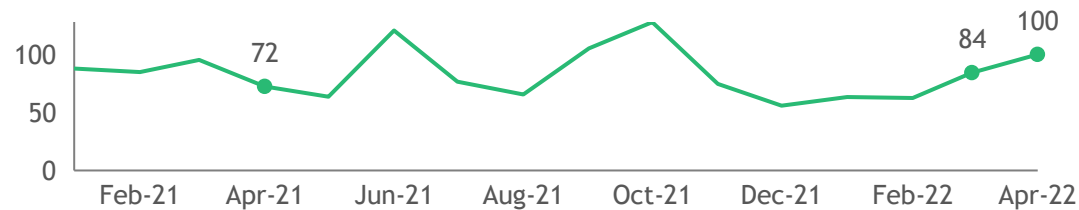
Two-wheeler sales ('0000 units)

2W recorded an uptick for the second consecutive month



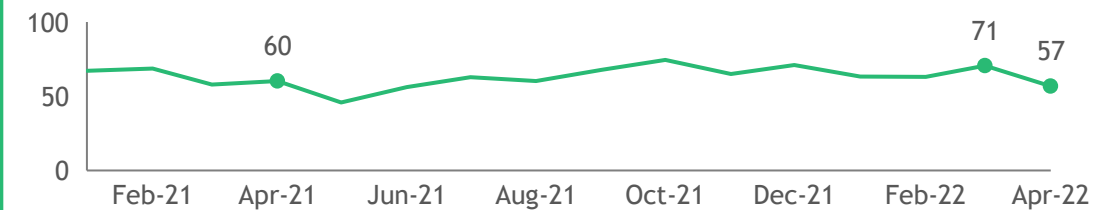
Tractor sales ('000 units)

Tractor sales continued on an upward trajectory in Apr'22



Three-wheeler sales ('0000 units)

3W witnessed degrowth for the first time in 3 months



Figures represent wholesale numbers (including exports)
 1. BMW, Mercedes and Volvo Auto data is not available;
 Source: SIAM, CMIE, TMA, Press search, BCG analysis

India NBFC Sector Update - FY22

Macro Indicators

➤ Key Performance Indicators- Industry (Banks + NBFCs)

Key Performance Indicators- NBFC Sector

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NPA & Risk Management

Valuation

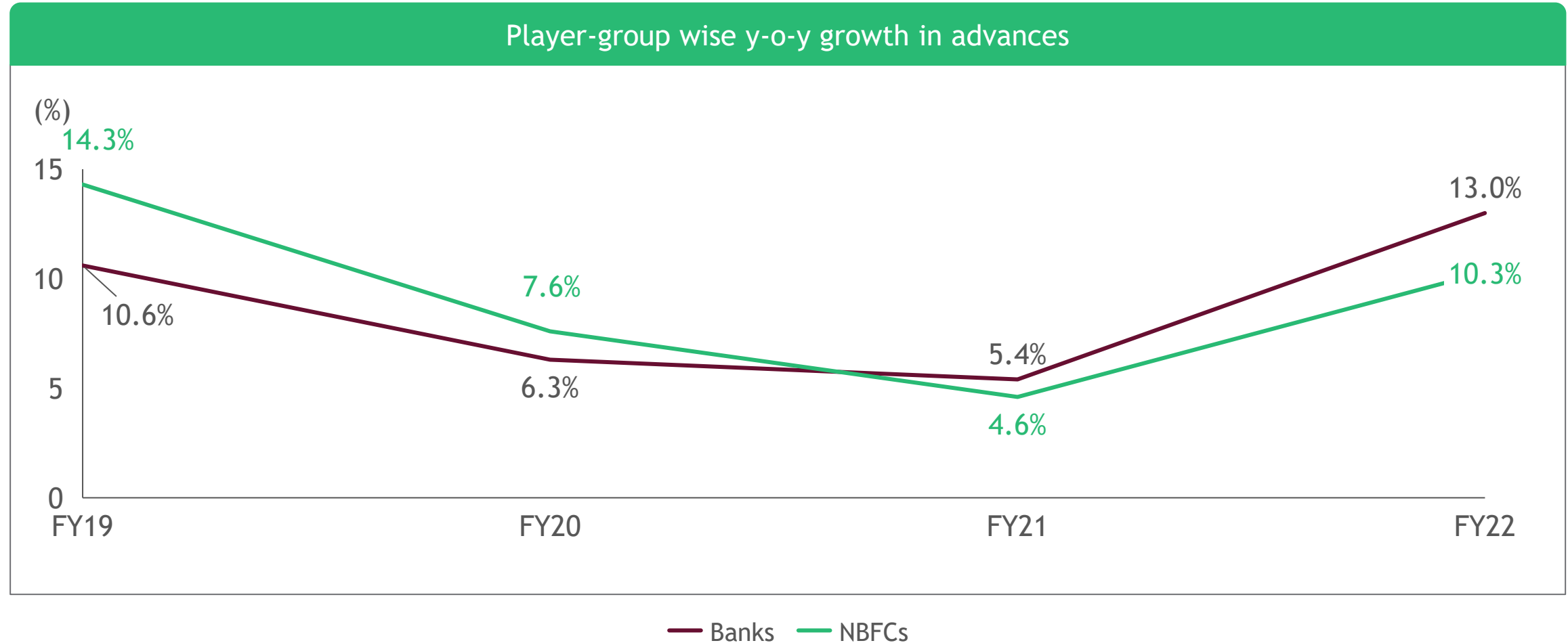
Advances Deep-dive (select products)

Recent Trends

Player Performance



NBFCs loan growth reviving post pandemic; remains lower than Banks

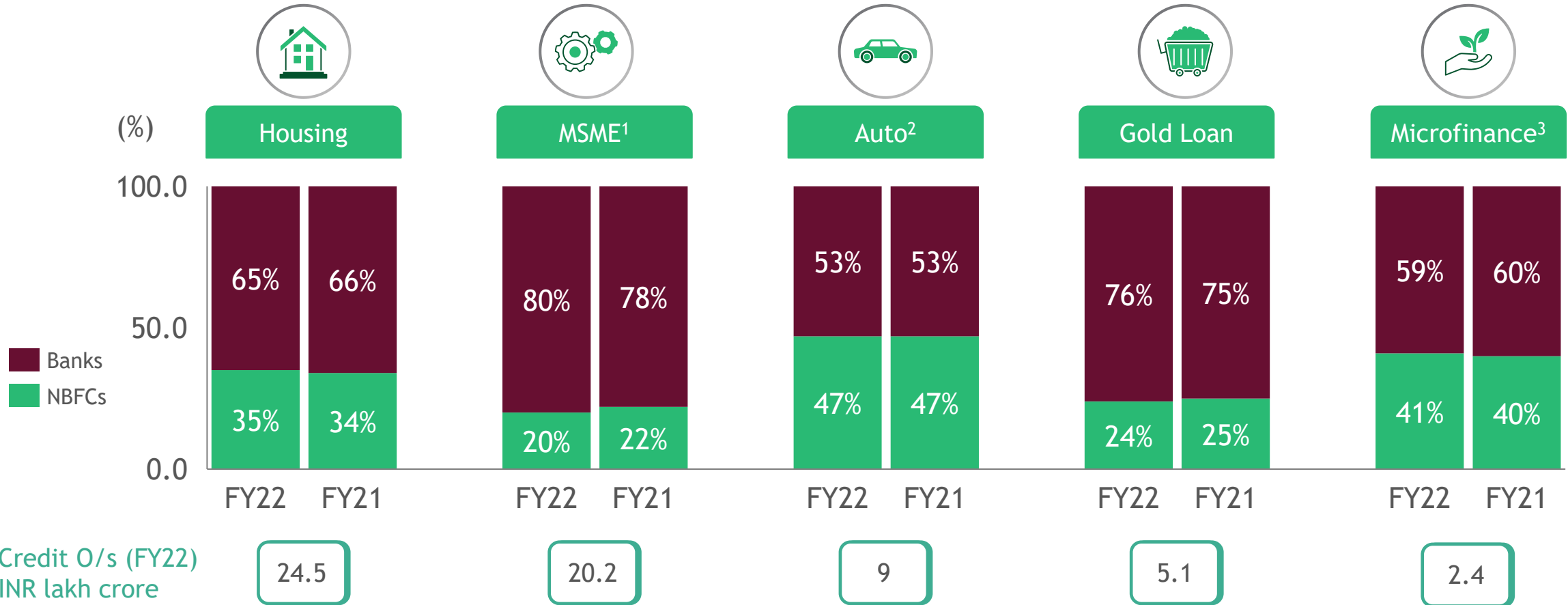


Note: Analysis has been made based on 30 NBFCs (10 HFCs, 2 Gold, 3 MFI and 15 Diversified NBFCs) and 35 Banks (12 PSU, 10 Private-New, 9 Private-old banks and 4 Small Finance Banks)
 Source: Capitaline, Quarterly Results, Investor Presentation, Annual Report, BCG Analysis



NBFCs market share remained stable across segments

Change in share of player groups across asset class



Credit O/s (FY22)
INR lakh crore

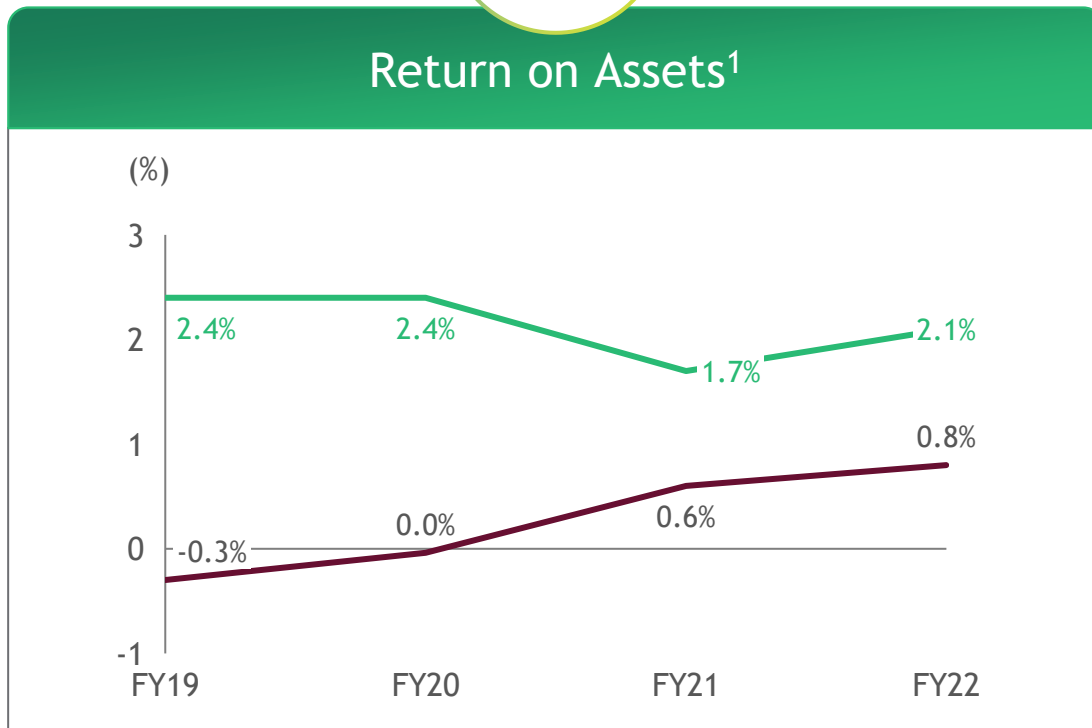
1. MSME includes Loan against property, secured non-LAP MSME loans and unsecured MSME loans; 2. Auto includes PVs new and used, CVs new and used, tractors, 2and 3 wheelers; 3. Share of NBFCs in MFI include NBFC-MFI, NBFCs and Non-Profit MFIs; Numbers for H1FY22
Source: CRISIL research; BCG Analysis



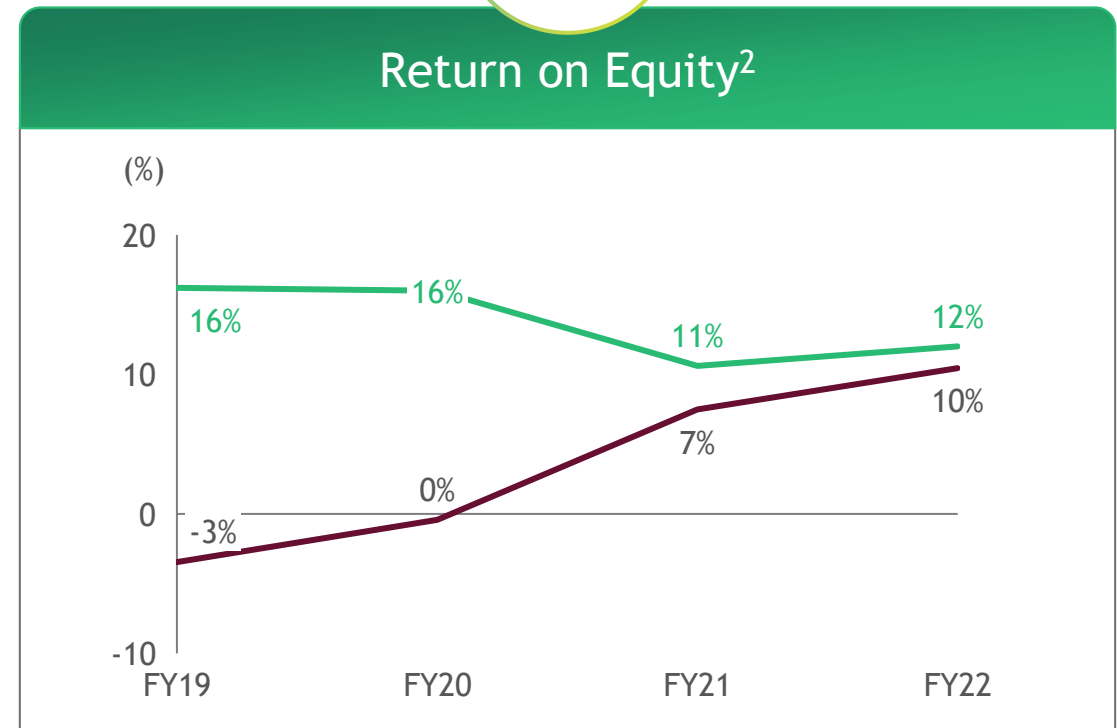
Profitability increased on account of declining credit costs for Banks and NBFCs



Return on Assets¹



Return on Equity²



— Banks — NBFCs

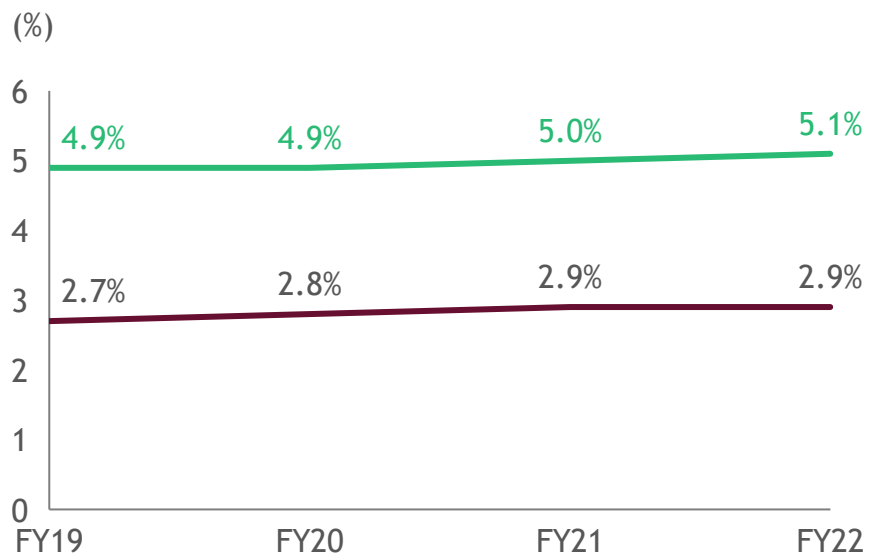
1. Return on Assets is calculated as net profit/average assets 2. Return on Equity is calculated as net profit/average shareholders' fund.
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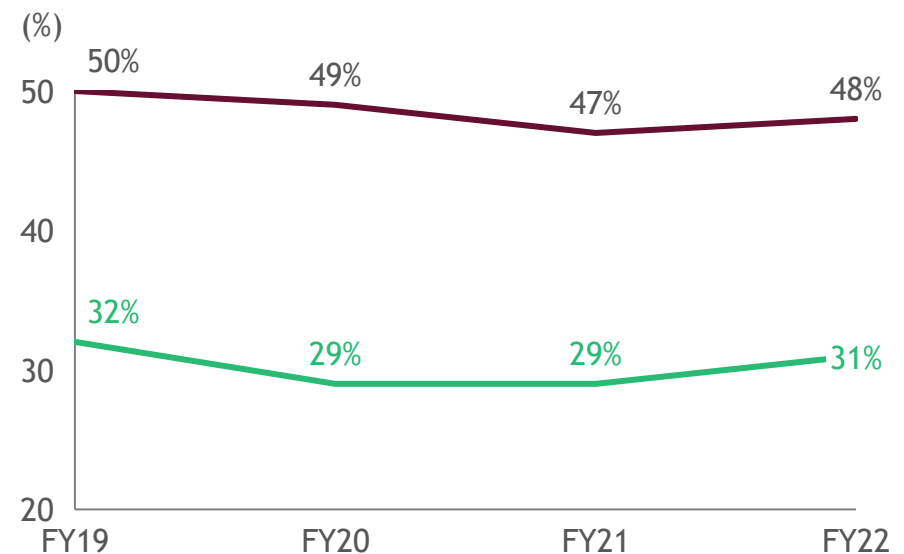
Higher NIMs for NBFCs on account of higher yields; CIR for NBFCs almost at pre-pandemic levels



Net Interest Margin¹ (%)



Cost to Income Ratio² (%)



— Banks — NBFCs

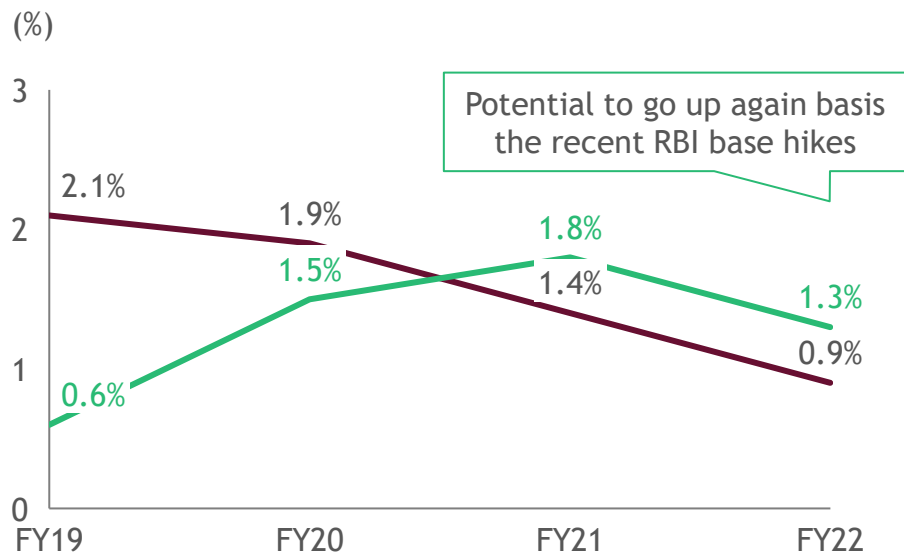
1. NIM is calculated as (Interest Income - Interest Expense)/Average Assets ² Cost to Income is calculated as Operation expense/(net interest income + other income)
 Operation Expense excludes "Net loss on fair value changes", "Net loss on derecognition of financial instruments under amortized cost category", "Net Transaction Exchange Loss" and/or "Loss/write-off on Repossessed Assets and Assets acquired in satisfaction of debt"
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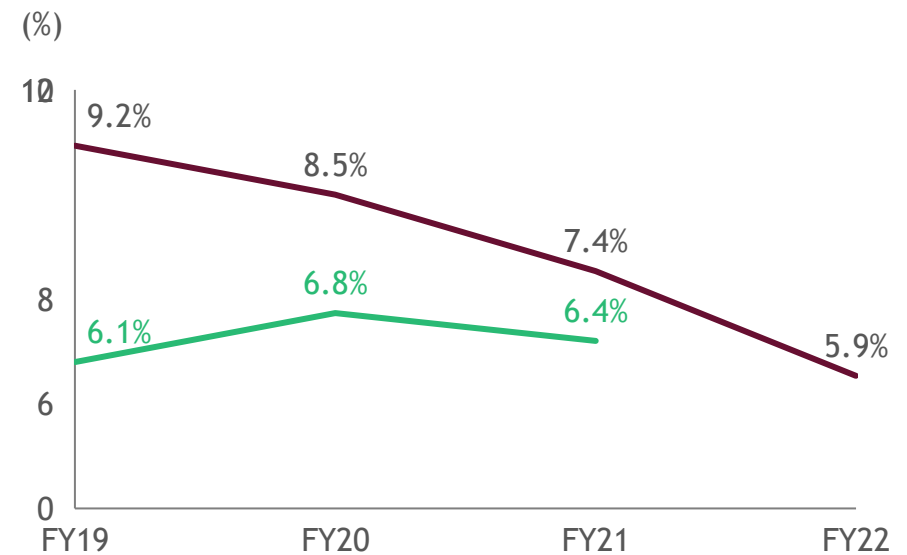
Reduction in credit costs for both Banks and NBFCs basis economic recovery



Credit Cost¹ (%)



GNPA² (%)



— Banks — NBFCs

1. Credit Cost is calculated as provision and contingencies/average assets 2. NBFC GNPA % yet to be released in RBI FSR report

Note: Analysis has been made based on 30 NBFCs (10 HFCs, 2 Gold, 3 MFI and 15 Diversified NBFCs) and 35 Banks (12 PSU Banks, 10 Private-New, 9 Private-Old and Small Finance Banks)

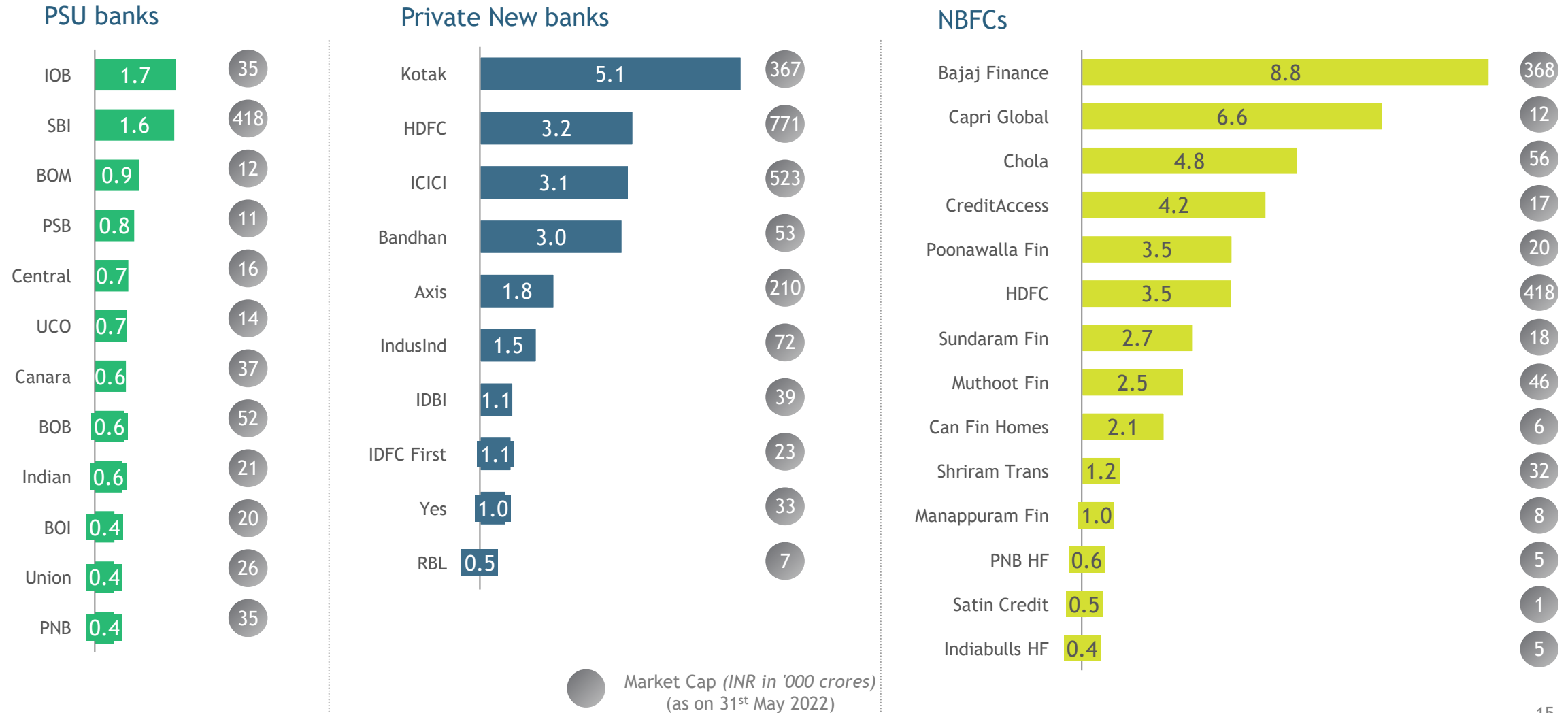
Source: Quarterly Results, Investor Presentation, Annual Report, RBI, BCG Analysis



Most NBFCs at a higher valuation as compared to PVBs and PSBs

Price to book ratio (As on 31st May 2022)

Select Banks and NBFCs



India NBFC Sector Update - FY22

Macro Indicators

Key Performance Indicators- Industry (Banks + NBFCs)

> Key Performance Indicators- NBFC Sector

Funding

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Advances Deep-dive (select products)

Recent Trends

Player Performance



Industry ROA increased by ~30 bps; MFIs recovering, Gold NBFCs reported declines

Particulars ¹	UoM	HFCs		Diversified		Gold Loan		MFIs		Industry	
		FY22	FY21	FY22	FY21	FY22	FY21	FY22	FY21	FY22	FY21
Net interest Margin	(%)	2.7	2.7	7.5	7.2	11.0	12.3	9.1	8.5	5.1	5.0
+ Fee + Other Income	(%)	0.6	0.6	1.4	1.2	0.2	0.4	1.7	1.7	0.9	0.9
- Operating expenses	(%)	0.5	0.4	3.4	3.0	3.4	3.5	5.0	4.5	1.9	1.7
Pre-Provision Profit ²	(%)	2.8	2.9	5.5	5.4	7.8	9.2	5.8	5.7	4.1	4.2
- Credit costs	(%)	0.5	0.6	2.3	3.5	0.3	0.3	3.7	4.8	1.3	1.8
- Tax	(%)	0.5	0.5	0.8	0.5	1.9	2.3	0.5	0.3	0.6	0.5
- Other Expenses ³	(%)	0.0	0.0	0.2	0.1	0	0	0	0	0.1	0.1
Return on Assets	(%)	↔ 1.8	1.8	↑ 2.2	1.3	↓ 5.6	6.6	↑ 1.6	0.6	↑ 2.1	1.8

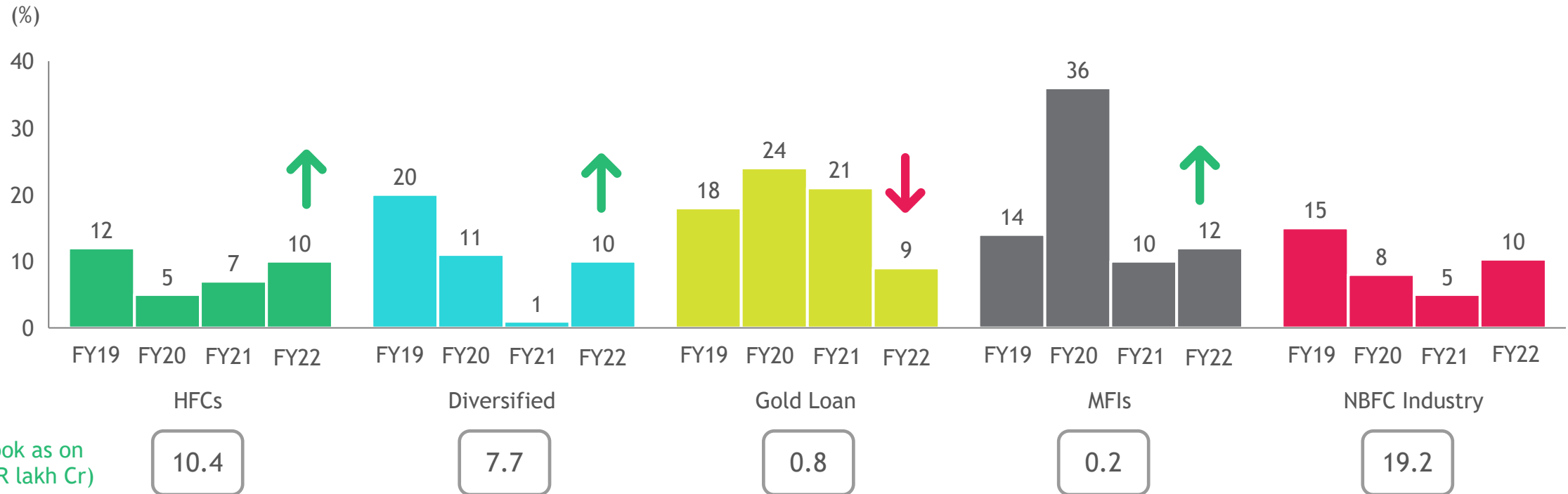
1. All the above #s are as a % of Average Assets, 2. Pre-provision profit may not tally due to rounding off error 3. Other Expenses include "Net loss on fair value changes", "Net loss on derecognition of financial instruments under amortized cost category", "Net Transaction Exchange Loss" and/or "Loss/write-off on Repossessed Assets and Assets acquired in satisfaction of debt"
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 Source: Capitaline, Quarterly Results, Investor Presentation, Annual Report, BCG Analysis



Rebound in credit growth for industry in FY22

Weaker growth for Gold NBFCs; MFIs yet to reach pre-pandemic level

Category-wise y-o-y growth in loan book (%)

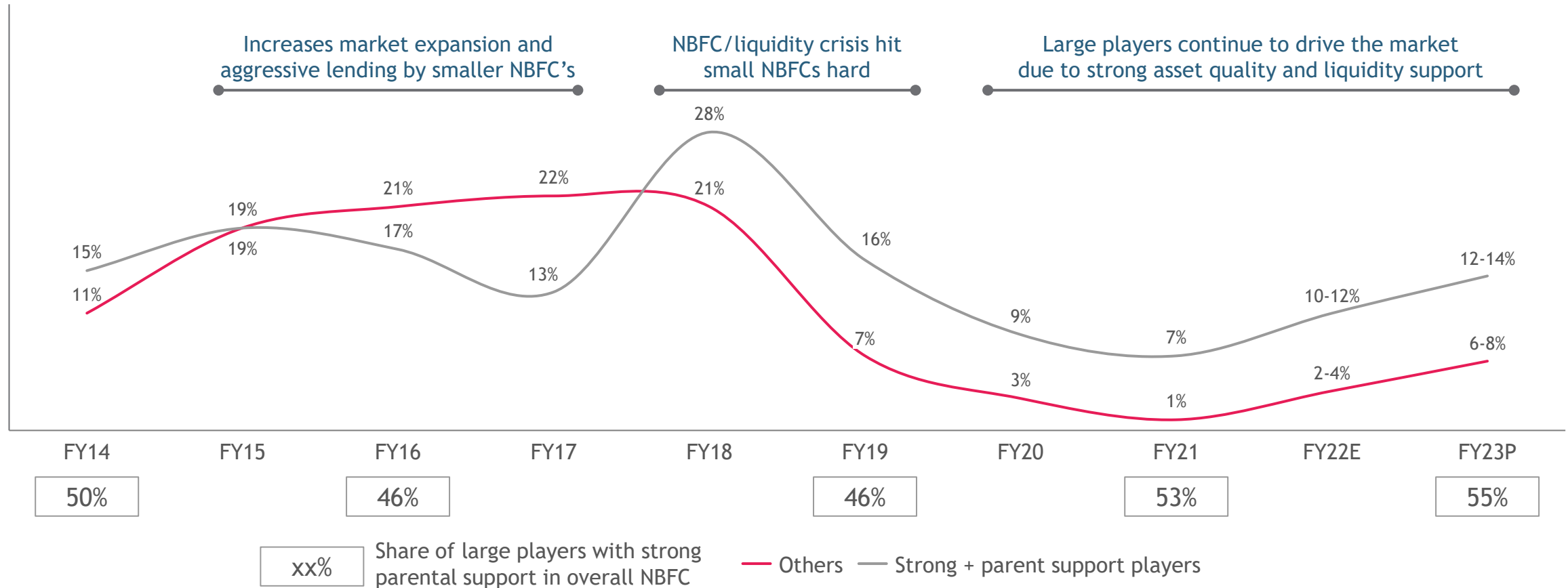


Note: Analysis has been made based on 30 NBFCs: 10 HFCs, 2 Gold, 3 MFI and 15 Diversified NBFCs
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Large NBFCs to outpace the industry in credit growth

Change in credit outstanding (YoY, %)



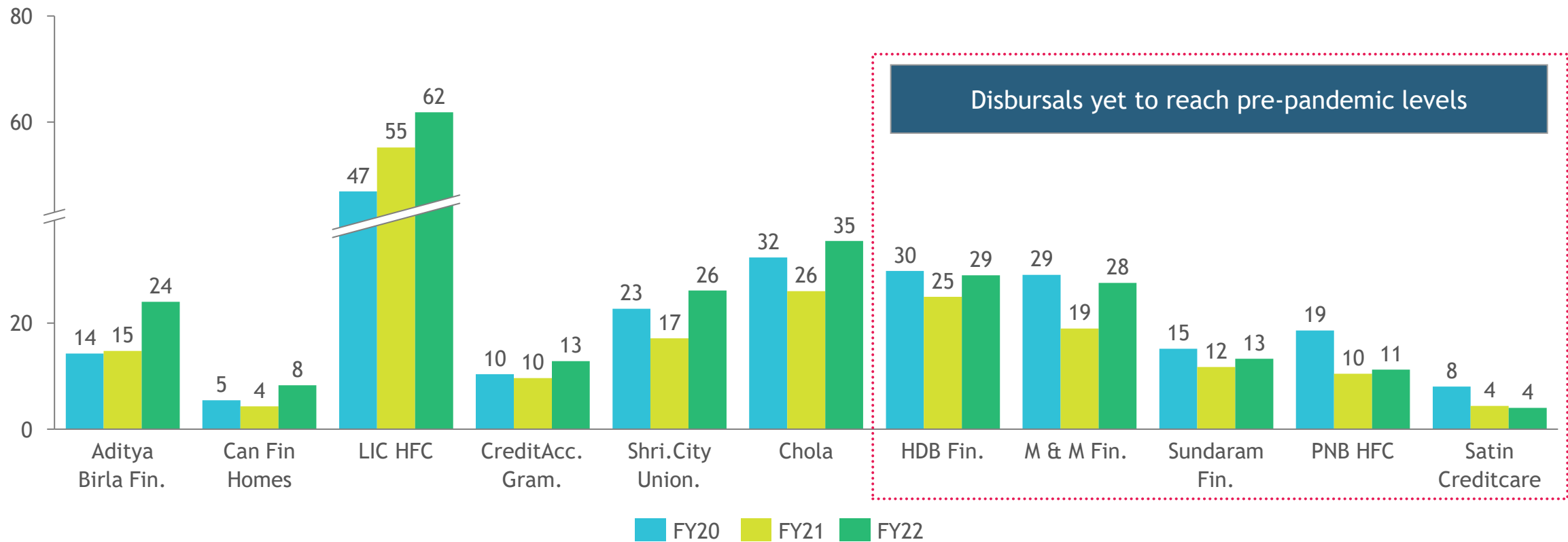
Note: E—Estimate; P—Projected, Strong + parental support players include top 11 NBFCs/HFCs with strong parental support
 Source: RBI, NHB, MFIN, CRISIL Research



Disbursements for most NBFCs on revival path after dipping in FY21

Select NBFCs

Disbursement trend (INR '000 Cr)



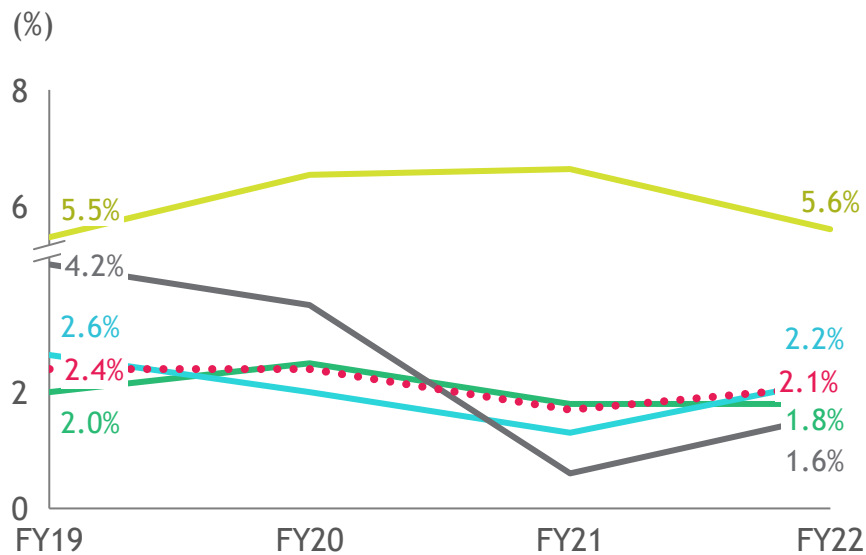
Source: Investor Presentation, Analyst Report, BCG Analysis



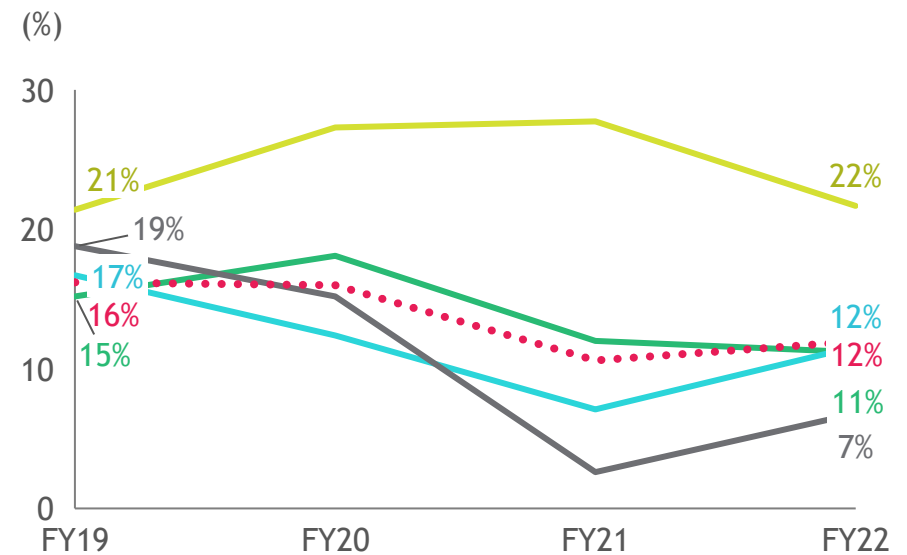
Profitability ratios inching up for the NBFC Industry



Return on Assets¹ by NBFC category



Return on Equity² by NBFC category



— HFCs — Diversified — MFIs — Gold Loan •• NBFC Industry

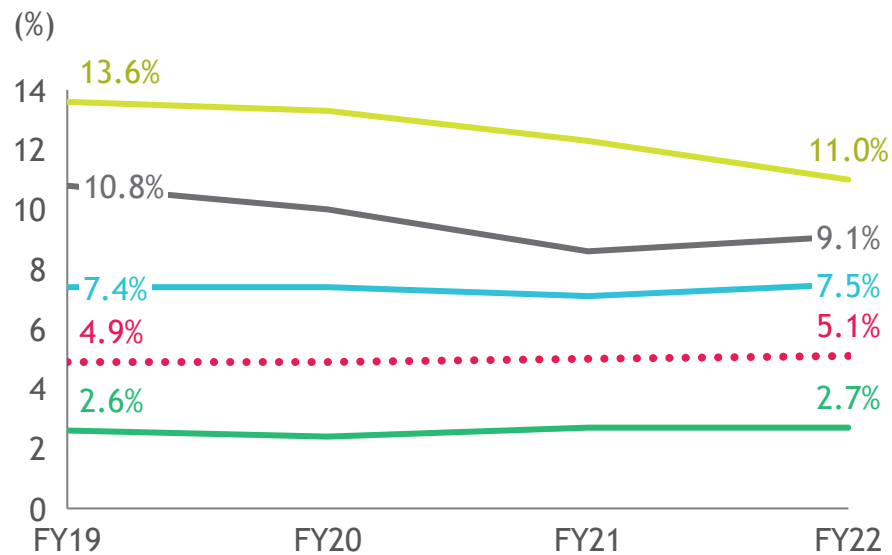
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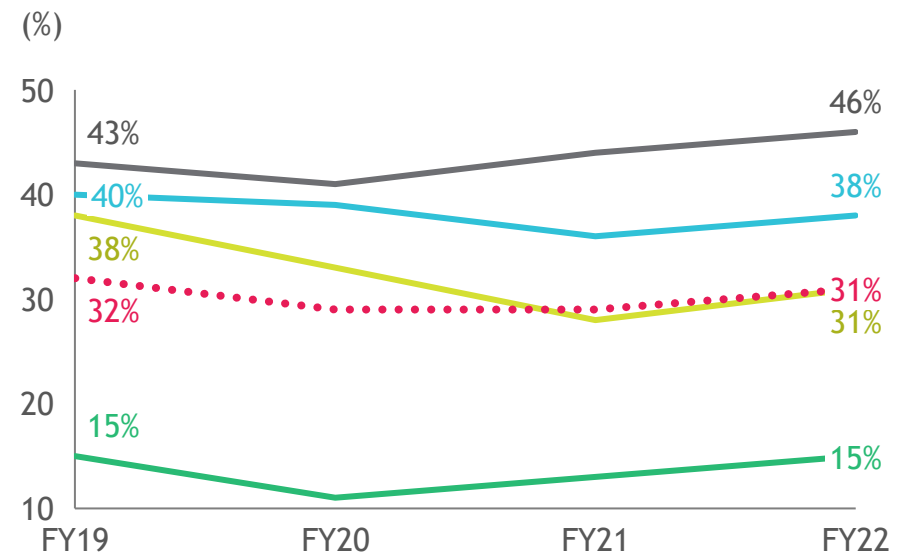
NIM and CIR remained broadly stable for the overall industry



Net Interest Margin¹ by NBFC category (%)



Cost to Income Ratio² by NBFC category (%)



— HFCs — Diversified — MFIs — Gold Loan •• NBFC Industry

¹ NIM is calculated as (Interest Income - Interest Expense)/Average Assets ² Cost to Income is calculated as Operation expense/(net interest income + other income)
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India NBFC Sector Update - FY22

Macro Indicators

Key Performance Indicators- Industry (Banks + NBFCs)

Key Performance Indicators- NBFC Sector

> Funding

NPA & Risk Management

Valuation

Advances Deep-dive (select products)

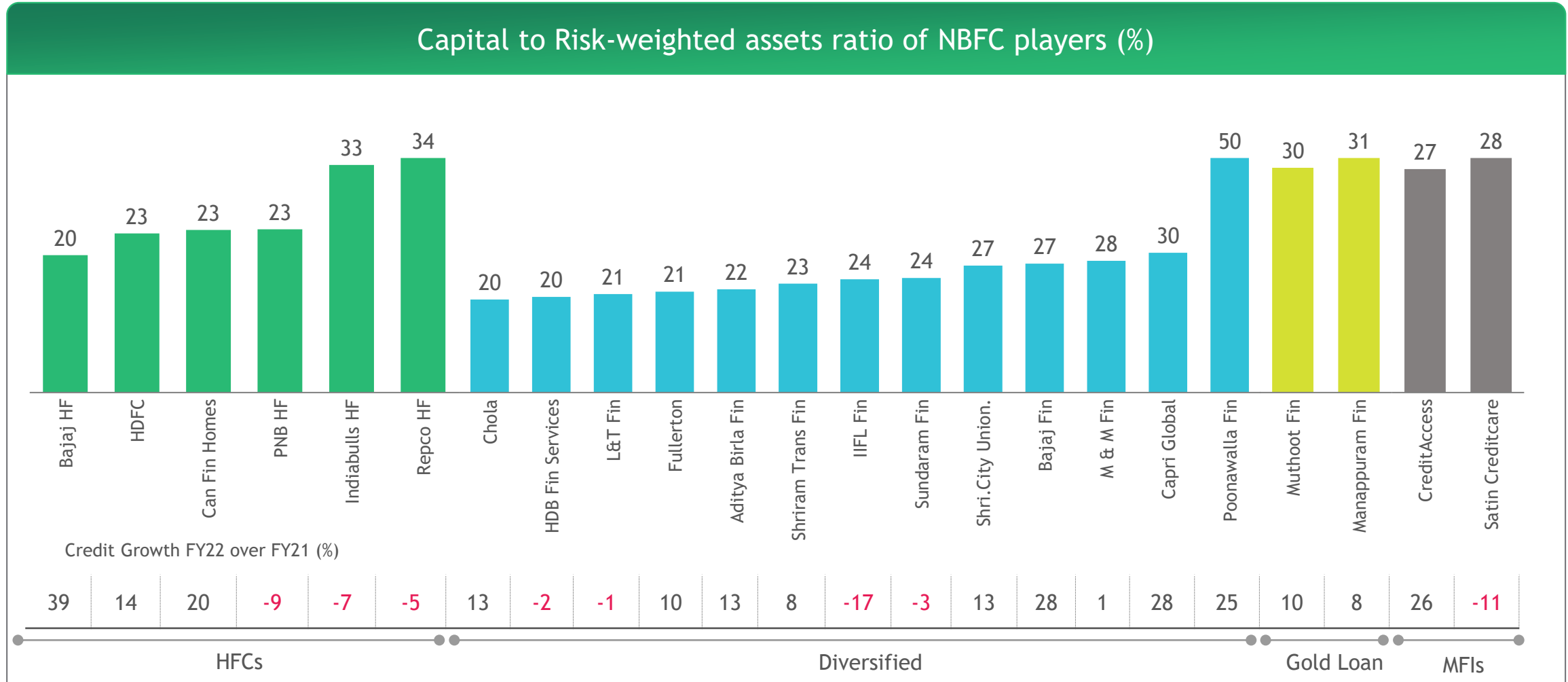
Recent Trends

Player Performance



Many large NBFCs raised capital post the pandemic to absorb stress and on account of favorable rate cycle

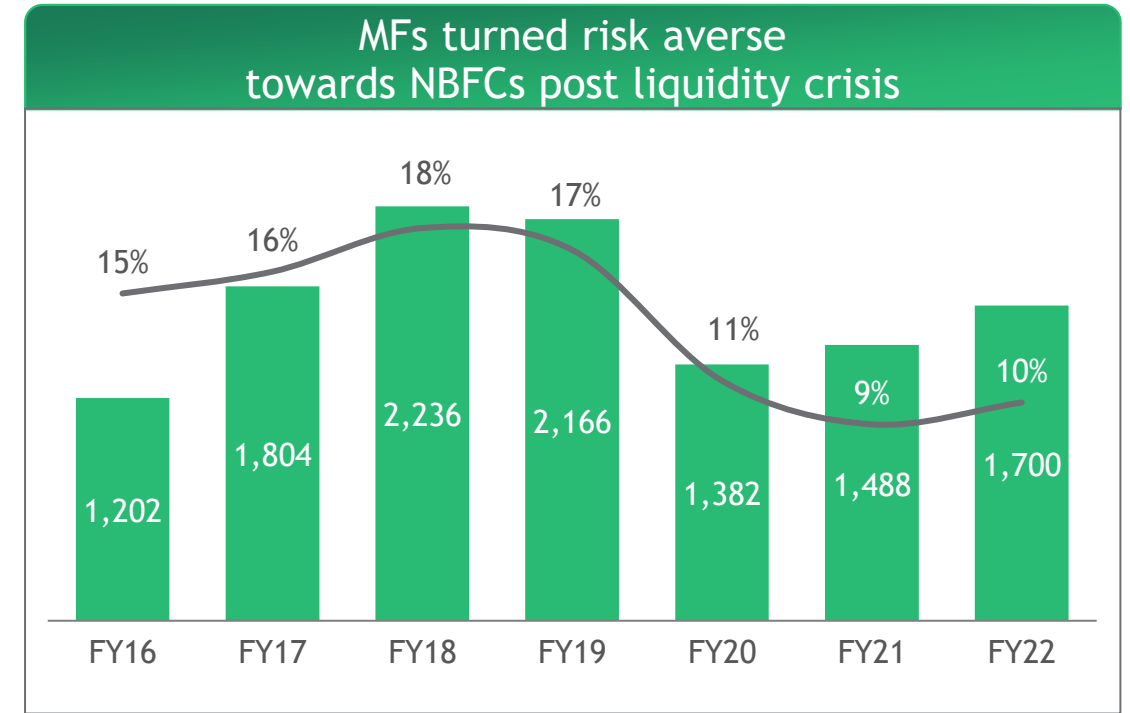
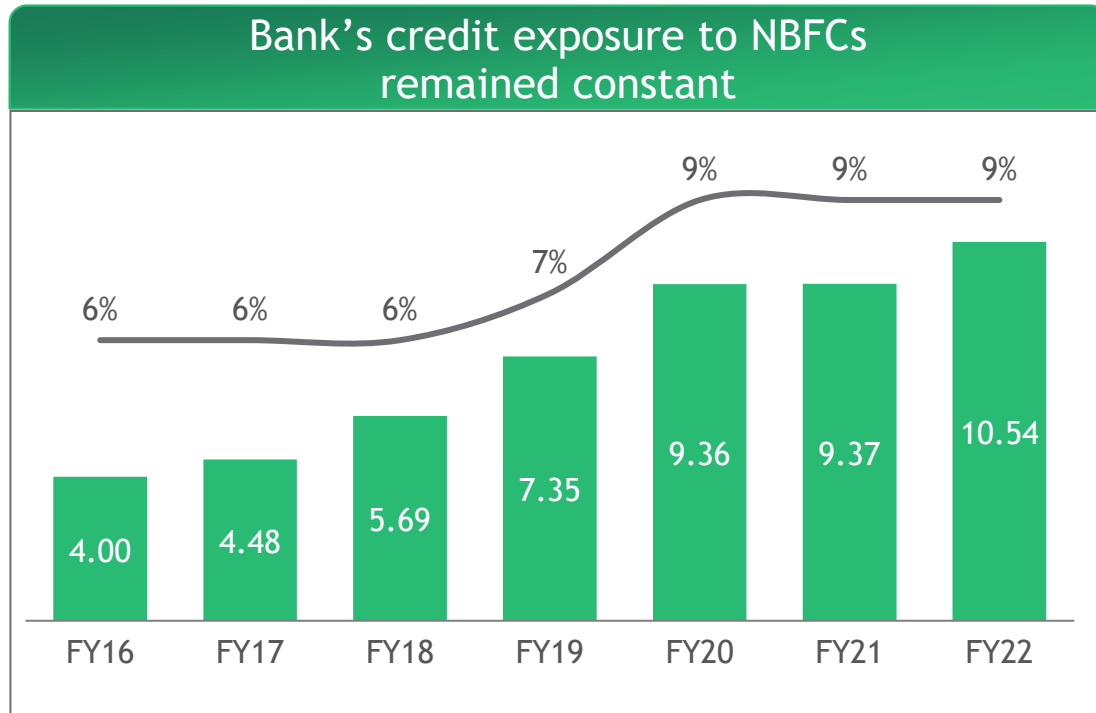
Select NBFCs



Source: Capitaline, Investor presentation, Press release, RBI, CARE Ratings, BCG Analysis



NBFCs share stable in bank's credit exposure, lower in Mutual funds'



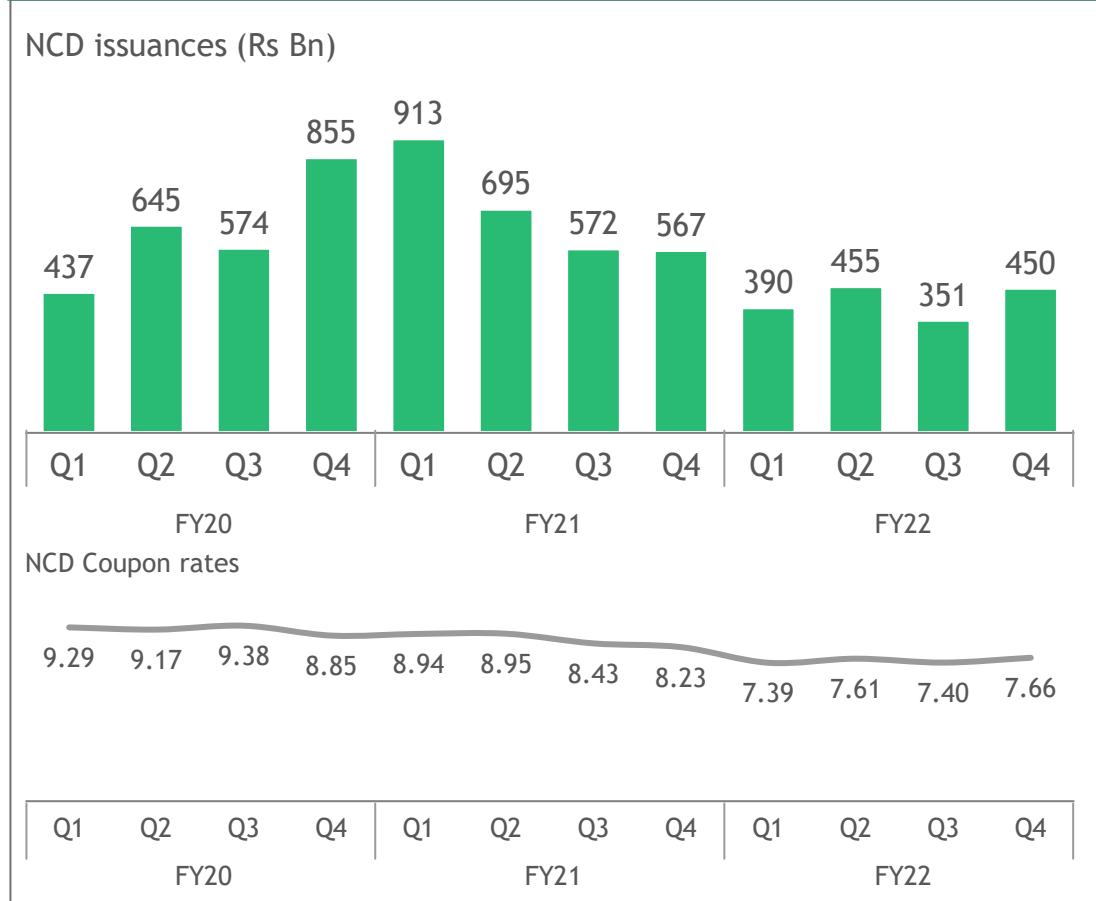
— Share of lending to NBFCs in overall bank exposure
 ■ Banks lending to NBFCs (Rs Trn)

— Share of lending to NBFCs in overall MFs exposure
 ■ MF's exposure to NBFCs (Rs Bn)

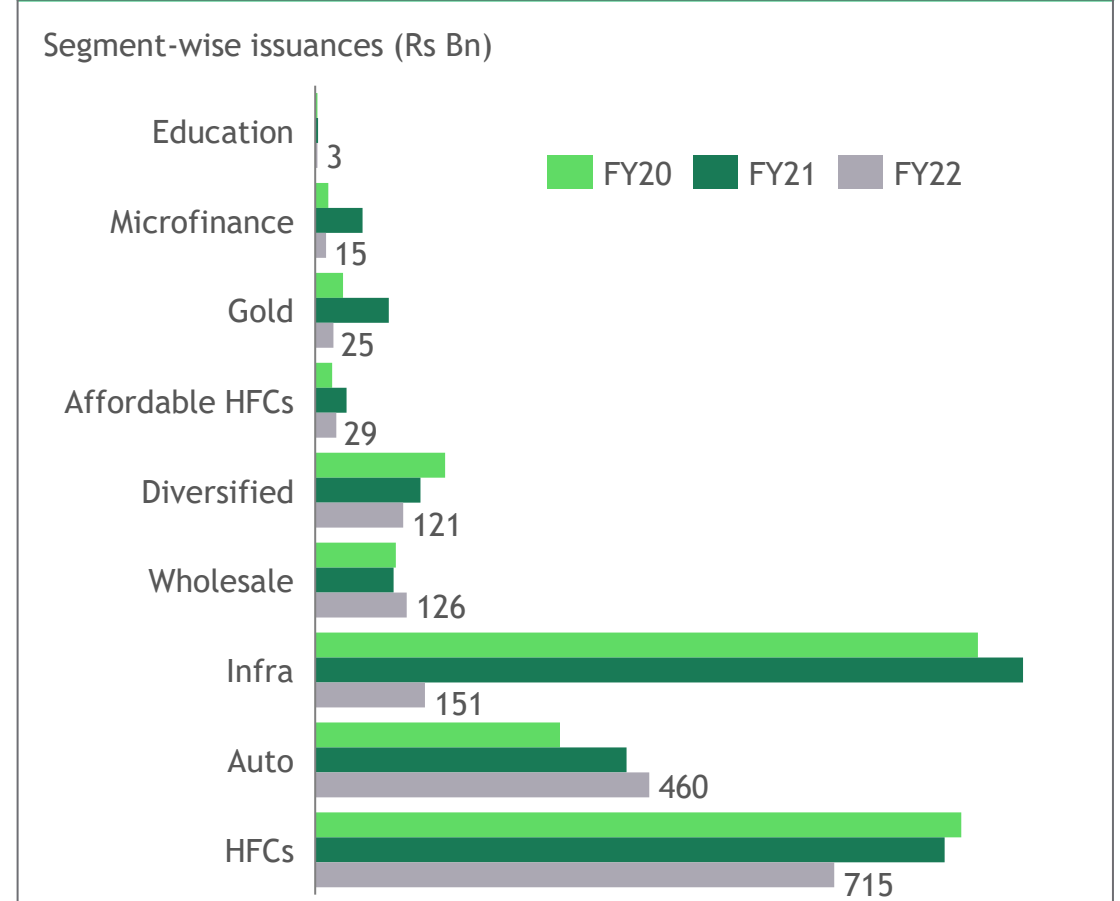


NCD issuances expected to pick up for NBFCs; improving credit growth and resolution of stressed assets to provide boost

NCD issuances saw a sharp drop in volume in FY22



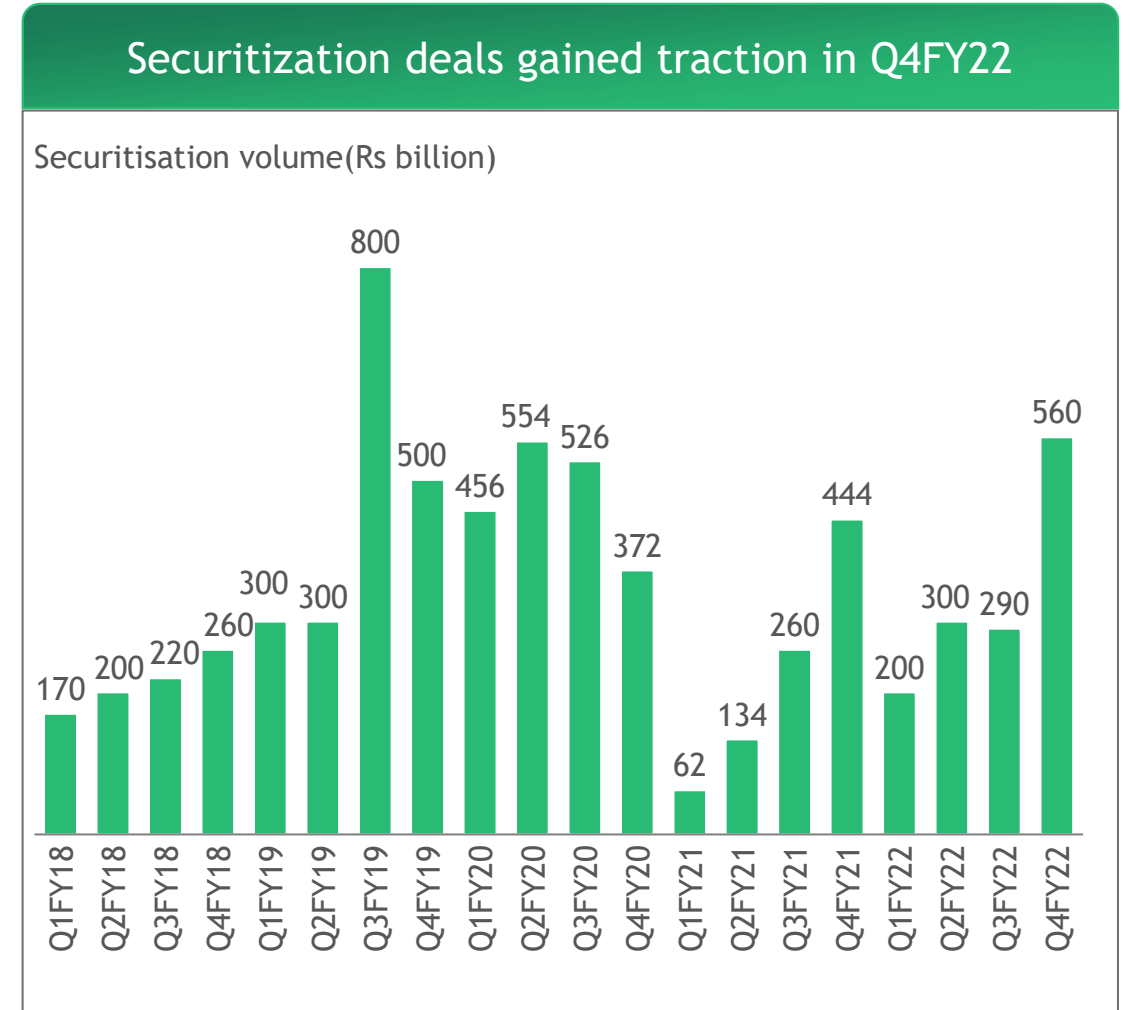
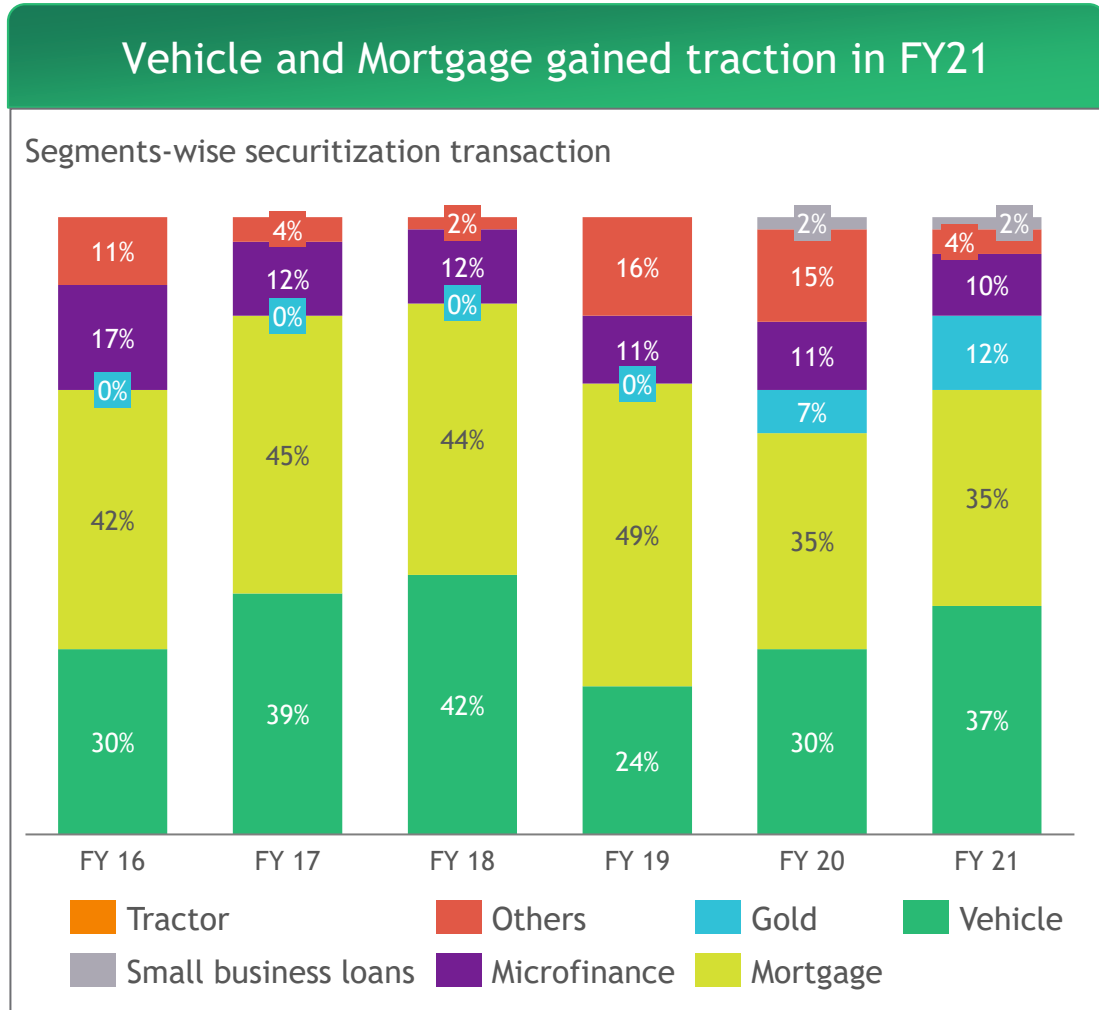
HFCs, Auto and Infra drive issuances



Note: Top 100 companies in terms of AUM (Asset Under Management) considered for issuances
 Source: BSE, CRISIL Research



Securitization volume up by 50% YoY in FY22



Source: Company reports, CRISIL Research

India NBFC Sector Update - FY22

Macro Indicators

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Key Performance Indicators- NBFC Sector

Funding

➤ NPA & Risk Management

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Advances Deep-dive (select products)

Recent Trends

Player Performance



Asset quality to see gradual improvement (FY23P)

			GNPA FY21	Stressed Assets ¹ FY22E	Stressed Assets ¹ FY23P
Retail		Housing	1.7%	3.5-3.6%	2.6-2.7%
		Auto ²	6.3%	10-11%	8-9%
		Gold	1.2%	2.8-3.0%	2.3-2.5%
		Micro Finance	5.4%	14-15%	10-11%
Wholesale		MSME	7-9%	8-10%	8-10%
		Infrastructure ³	5.1%	5-6%	4-5%

Note: P- Projected, E- Estimates. 1. Stressed assets refer to both GNPA and estimated segmental restructuring amounts put together 2. All segments 3. Including PFC and REC
 Source: CRISIL research; BCG Analysis

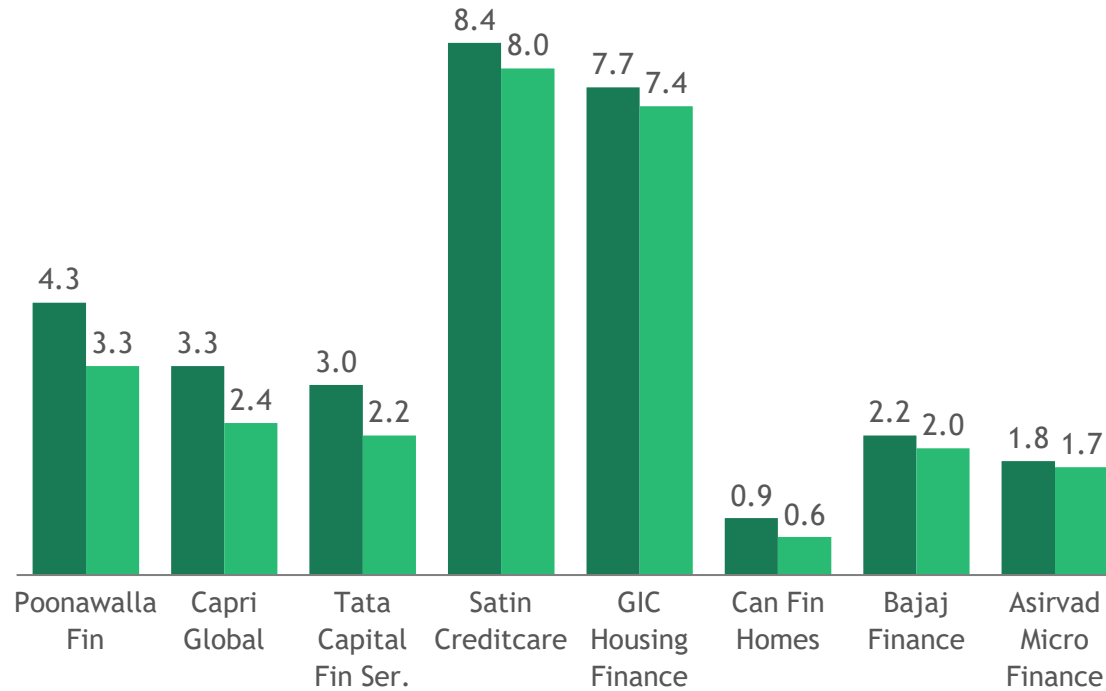


Asset quality: Many NBFCs across categories continue to witness deterioration

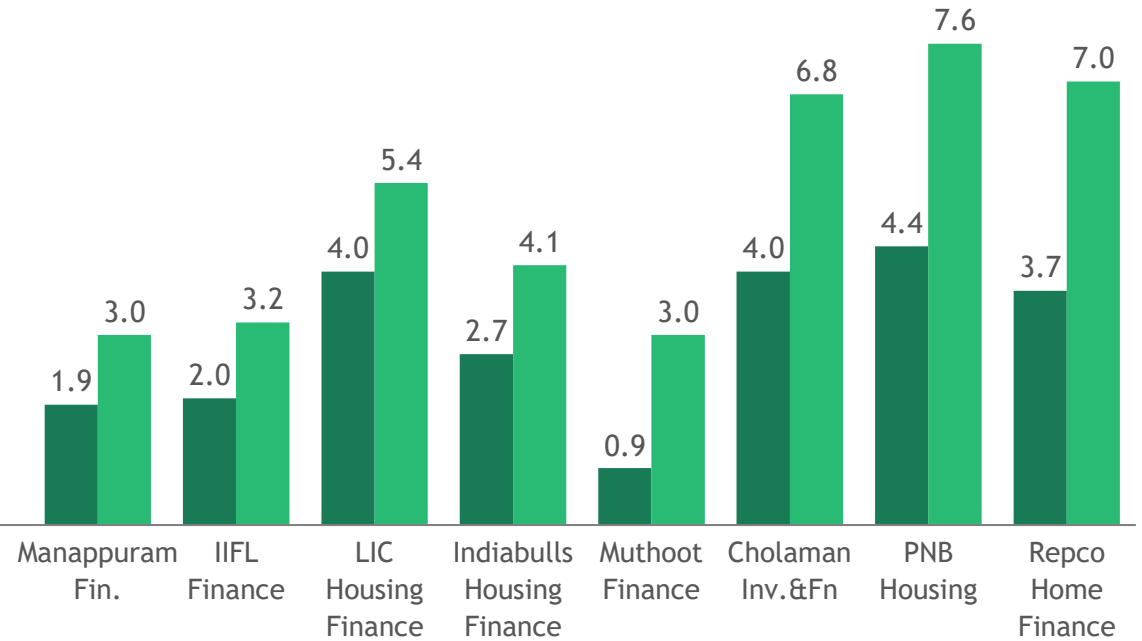
Select NBFCs

Gross Non-Performing assets (%)

Improvement in asset quality



Deterioration in asset quality



XX% PCR % (FY22)

FY21 FY22

Note:
Source: Investor Presentation, Analyst Report BCG Analysis

India NBFC Sector Update - FY22

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Key Performance Indicators- NBFC Sector

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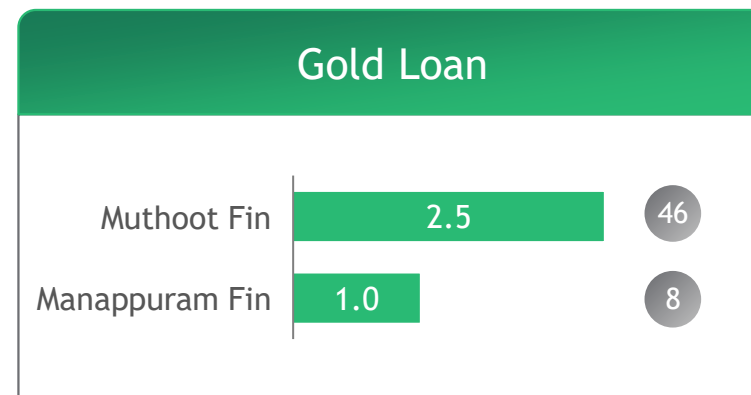
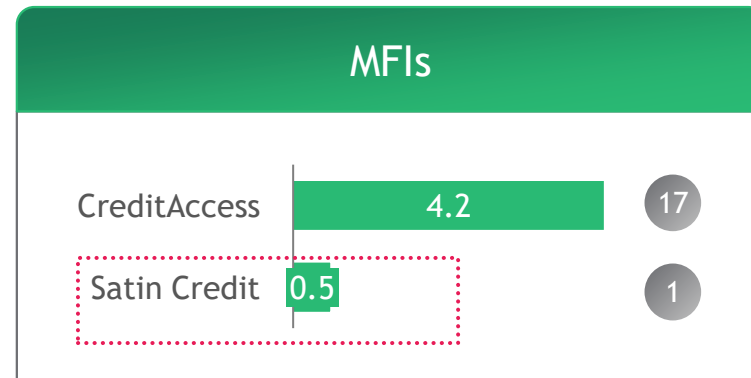
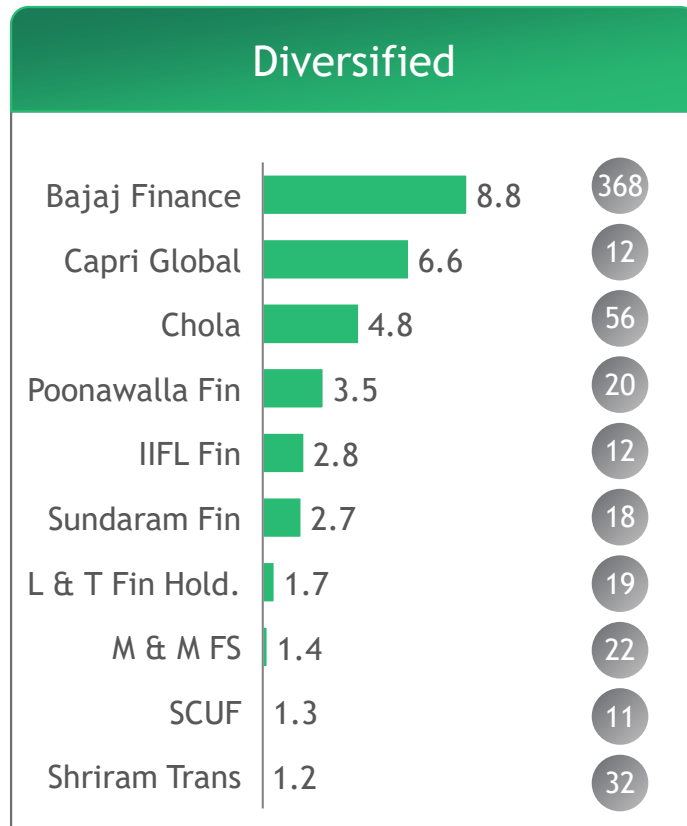
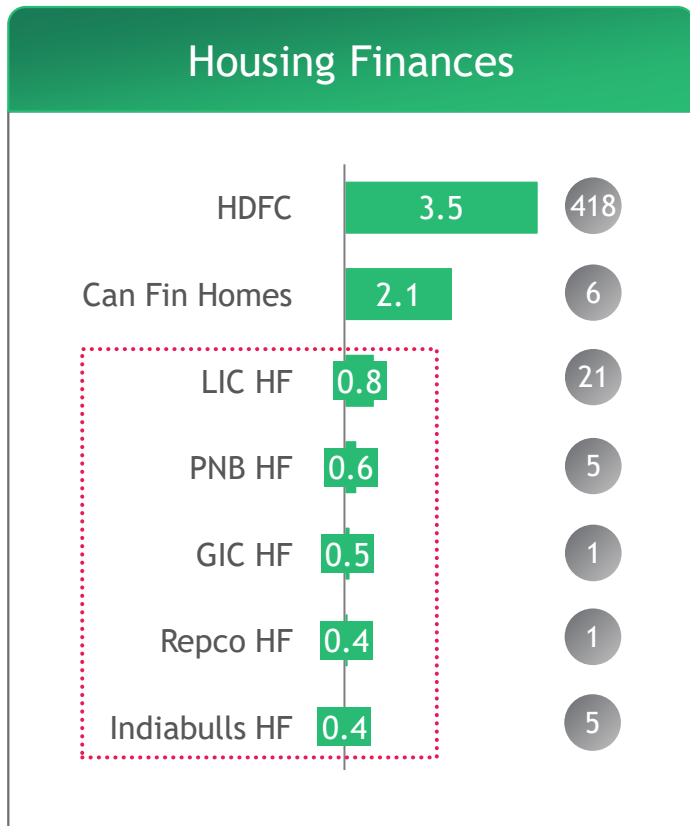
Player Performance



Majority HFCs with <1x P/B whereas most diversified NBFCs trading at premium

Select NBFCs

Price to book ratio (as of May 31, 2021)



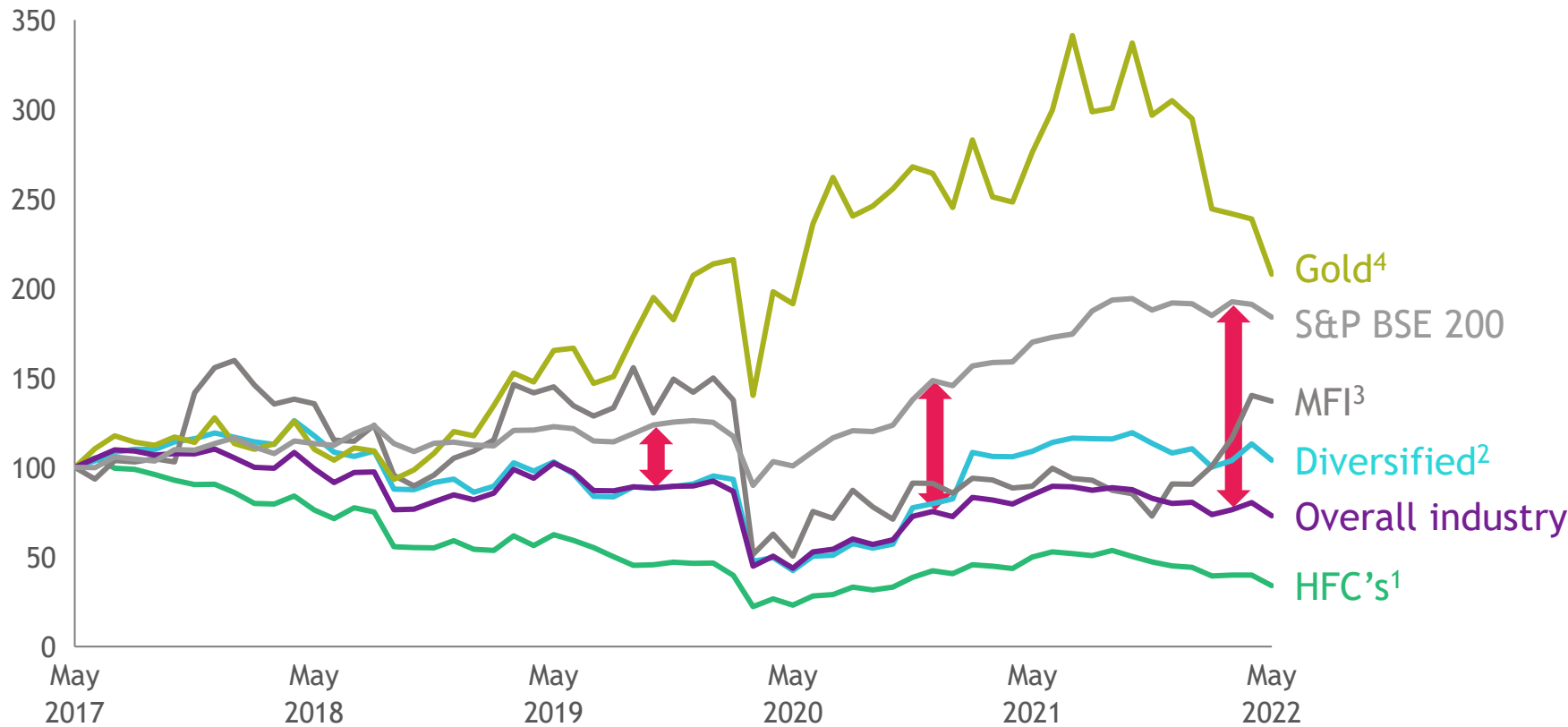
● Market Cap (INR in '000 crores) (as of May 31, 2022) □ <1x P/B



NBFC sector has under-performed broader market led down by HFCs

Gap in the overall industry's performance vs broader index widened in last one year

TSR Index: May 2017 = 100



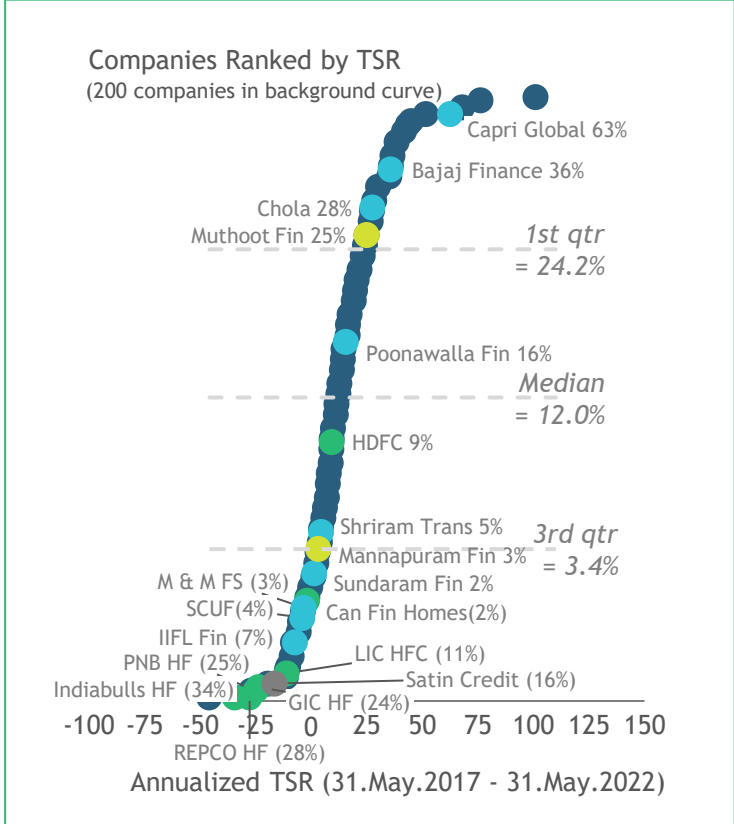
Over period May 2017 - May 2022		
5 Yr. average annual TSR %	1 Yr. average annual TSR %	
Gold ⁴	16%	-25%
S&P BSE 200	13%	8%
MFI ³	6%	53%
Diversified ²	1%	-4%
Overall industry	-6%	-14%
HFC's ¹	-19%	-31%

1. Median monthly TSR rebalanced for following: Can Fin Homes, GIC HF, HDFC, Indiabulls HF, LIC HF, PNB HF and Repco Home; 2. Median monthly TSR rebalanced for following: Bajaj Finance, Capri Global, Chola, IIFL Fin, IndoStar Capital, M & M Fin, Poonawalla Fin, SCUF, Shriram Trans and Sundaram Fin; 3. Median monthly TSR rebalanced for following: CrediAccess and Satin Credit; 4. Median monthly TSR rebalanced for following: Manappuram Fin and Muthoot Fin. Note: TSR is calculated between 31st May 2017 through 31st May 2022 in the companies reporting currency. Please refer to annexure page for detailed list of constituents within each tier.

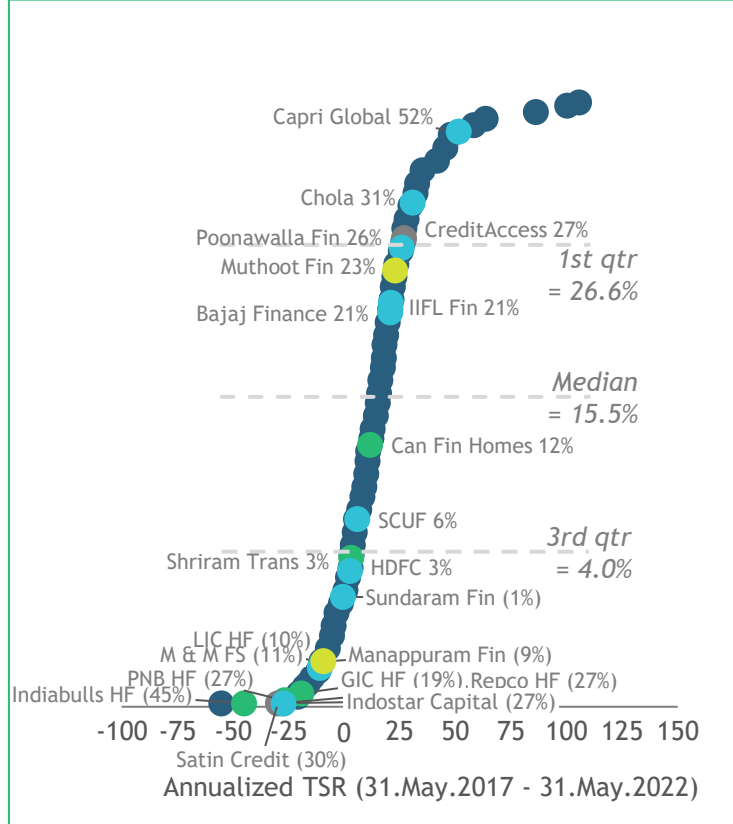


Value creation in industry primarily driven by diversified NBFC's over time

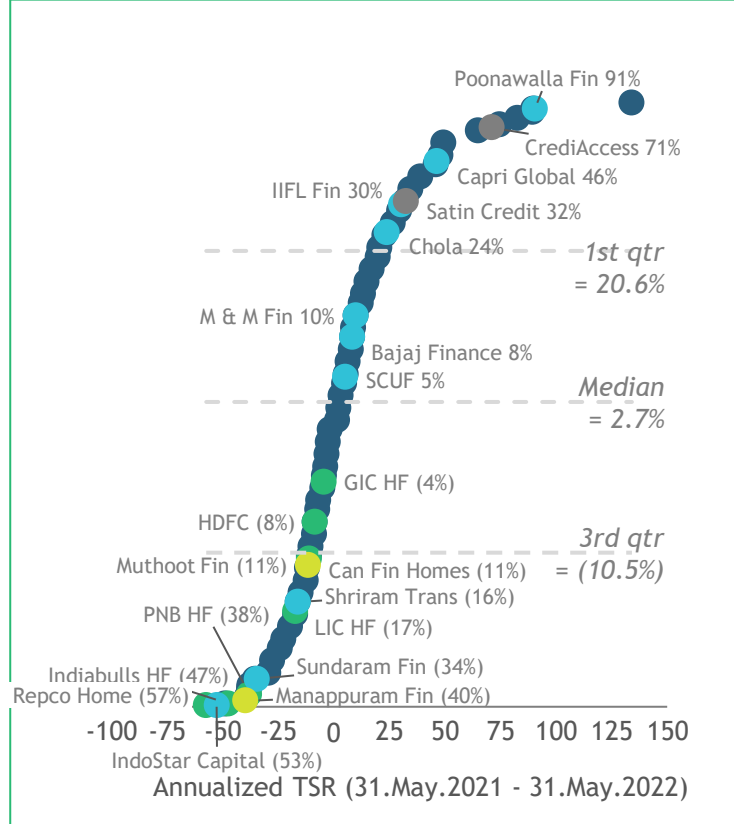
5-year Total Shareholder Return (TSR)



3-year Total Shareholder Return (TSR)



1-year Total Shareholder Return (TSR)



● HFC ● MFI ● Diversified ● Gold

Note: Background Curve: S&P BSE 200, Based on data ending in May; TSRs use company reporting currency;
Source: S&P Capital IQ; BCG ValueScience® Center

India NBFC Sector Update - FY22

Macro Indicators

Key Performance Indicators- Industry (Banks + NBFCs)

Key Performance Indicators- NBFC Sector

Funding

NPA & Risk Management

Valuation

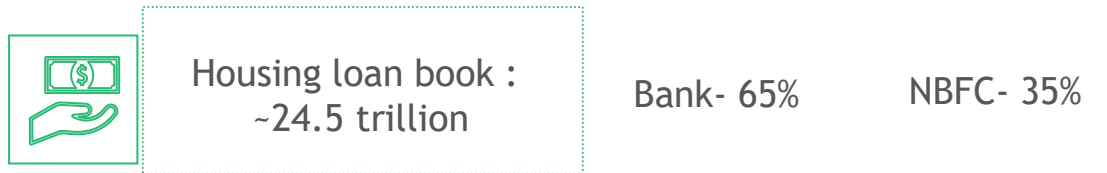
➤ Advances Deep-dive (select products)

Recent Trends

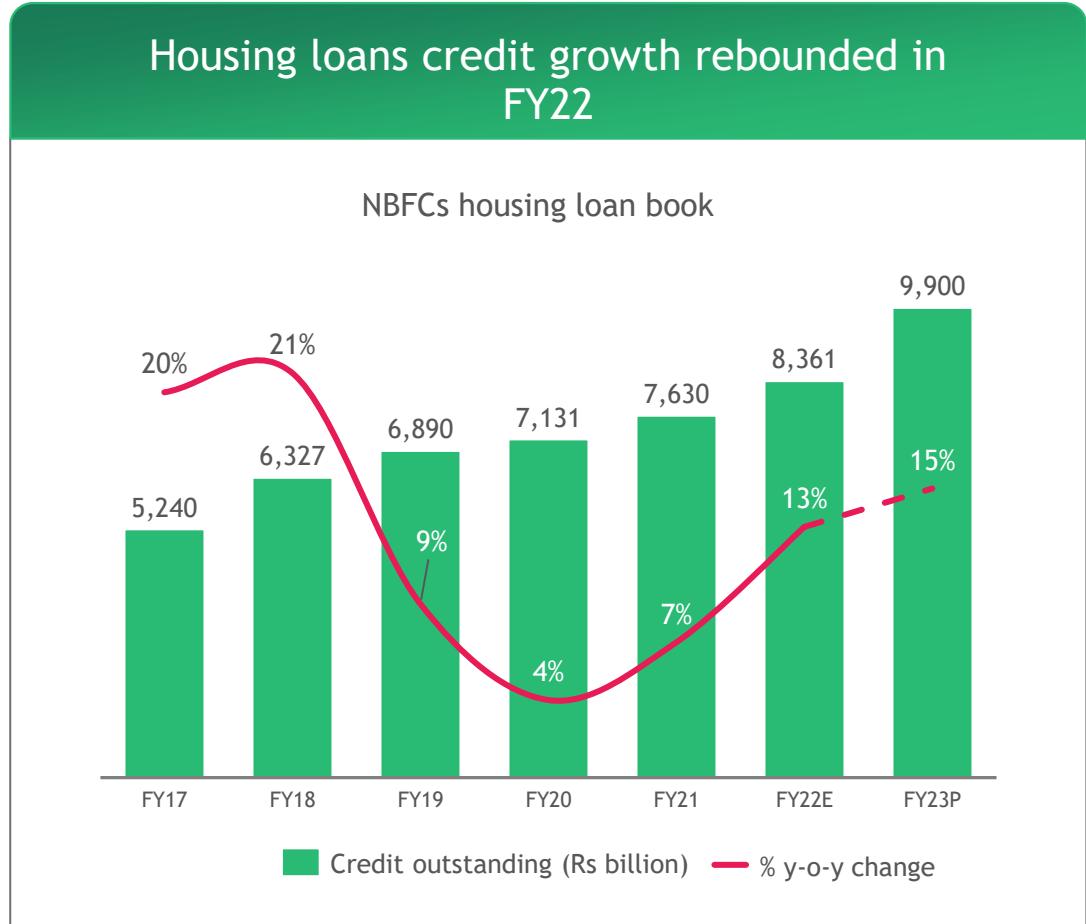
Player Performance



Housing loan: With Income levels intact and home loan rates around historical lows, disbursements rebounded in the second half of FY22



- Continued support from the govt. and central bank
- An increase in demand for housing
- Penetration in tier II and III cities by affordable HFCs led to a reversal of trend in the segment during FY22

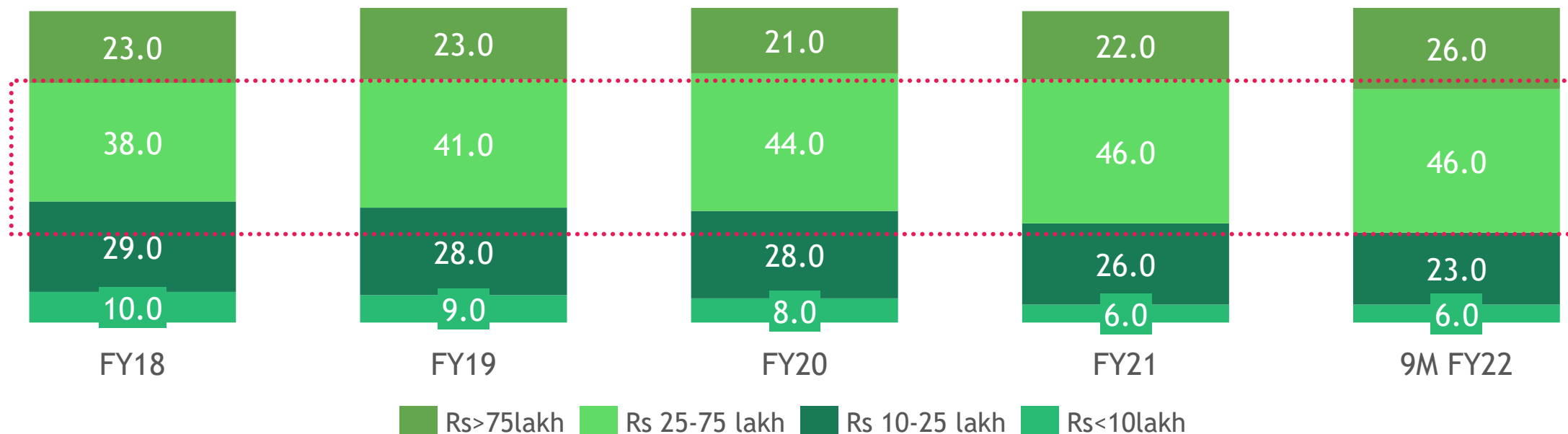




Housing Loan: Mid-ticket continues to hold highest share over the years

Rs 25-75 lakh segment's share increased from 38% in FY18 to 46% in 9MFY22

Ticket size-wise disbursement trends at NBFCs (%)






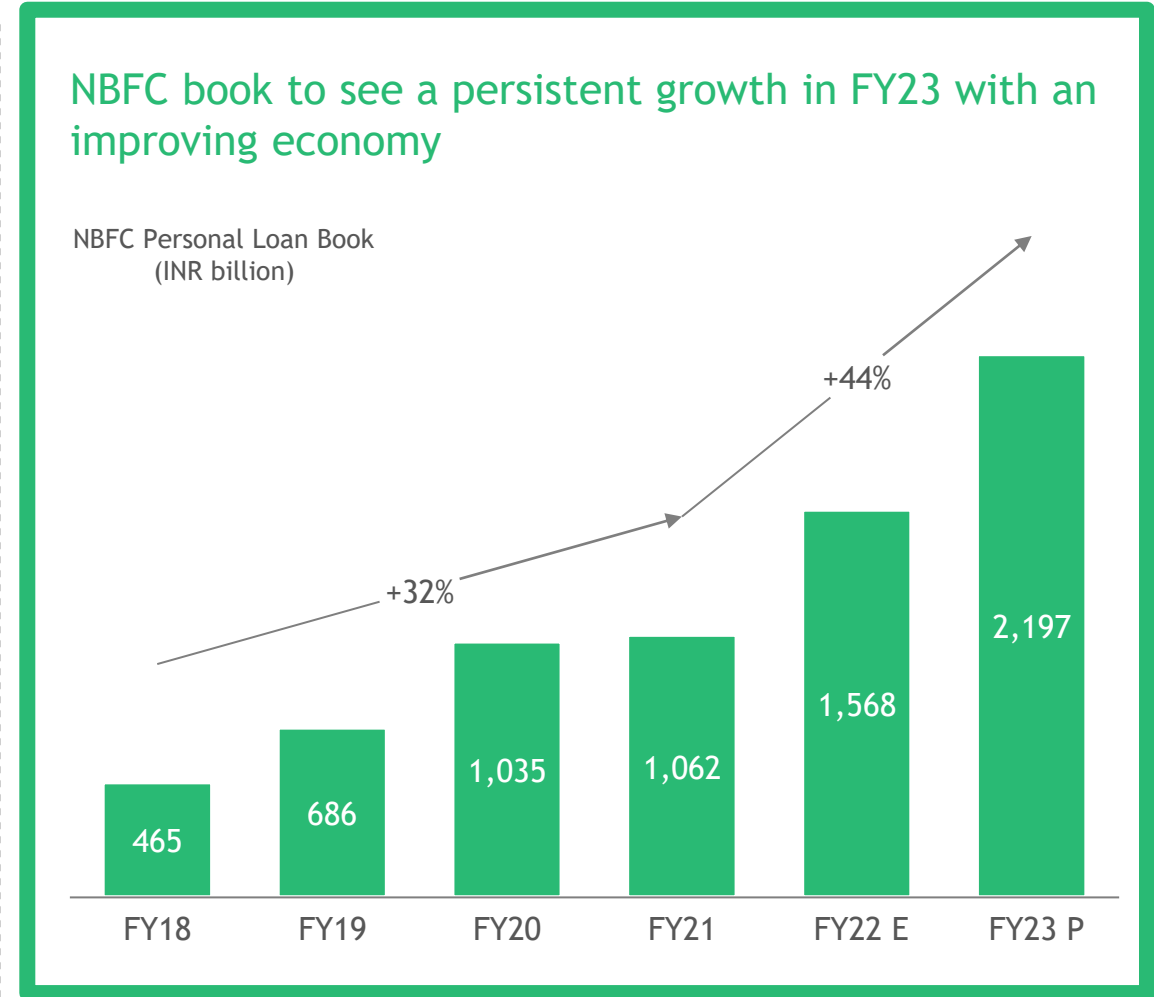
Mid ticket segment did comparatively better post covid; impact more severe on affordable housing

Timely interventions from the government position the housing finance segment to further grow



Personal Loan: The personal loan market saw an uptick in FY22 with the economy normalizing and overall positive market sentiment

	Personal loan book : ~8.1 trillion	Bank- 81%	NBFC- 19%	
	Disbursement growth - Industry	CAGR (FY18-21) 19%	FY 2022E (YoY %) 60-65%	FY22-23 (YoY %) 40-45%
	Book growth - Industry	31%	20-25%	35-40%



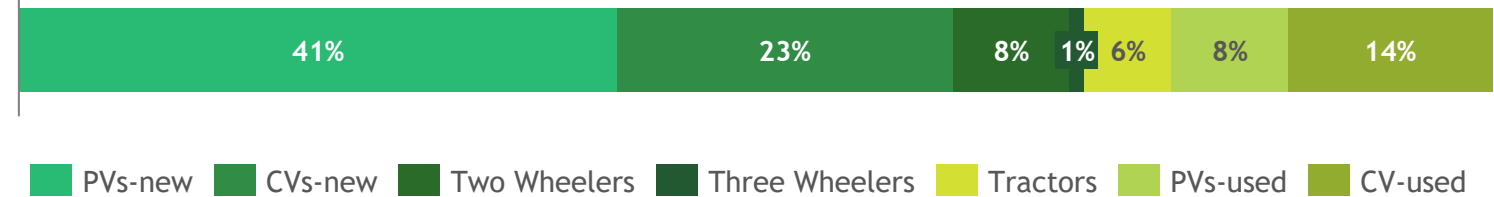
E- Estimated, P- Projected
Source: CRISIL Research; BCG analysis



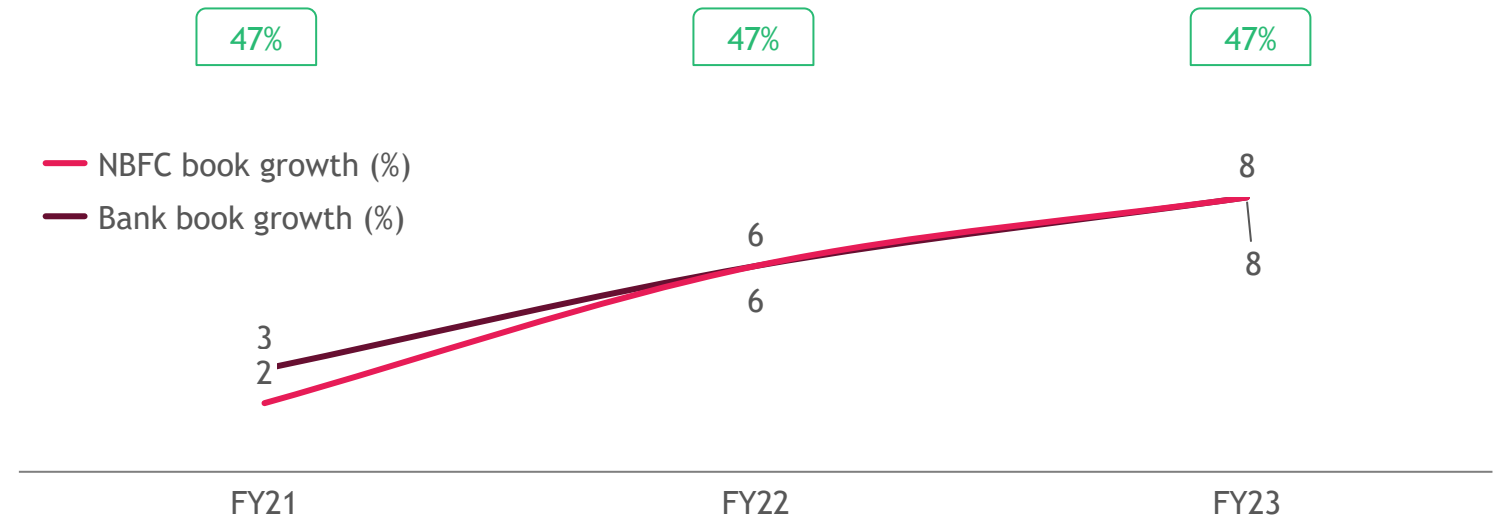
Auto Finance: New PVs and CVs continue to dominate the Auto finance book

- Growth to continue in FY23, with retail segments continuing to perform and segments like CVs, 2-wheeler and 3-wheeler growing at a faster pace compared to FY22
- Despite strong demand for used cars, **supply constraints are likely to restrict growth** in financing such cars in FY23
- Tractors benefitted from a **healthy crop harvest**

Auto finance outstanding ~Rs 9 lakh crore (FY22)

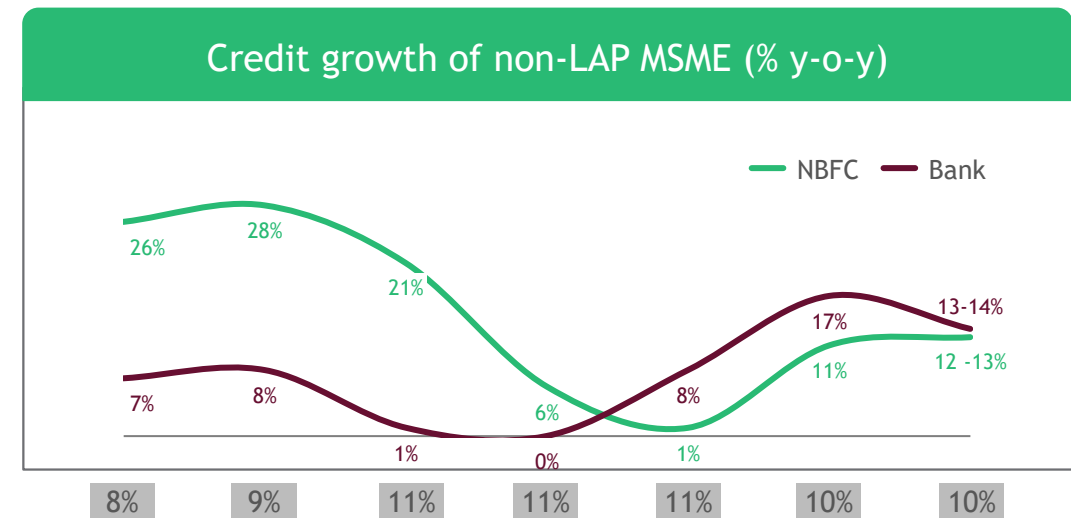
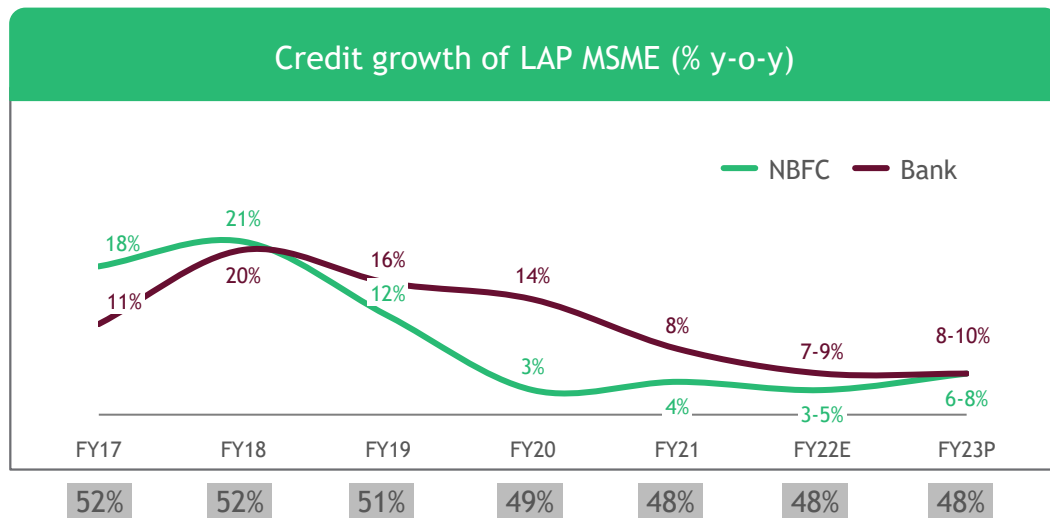
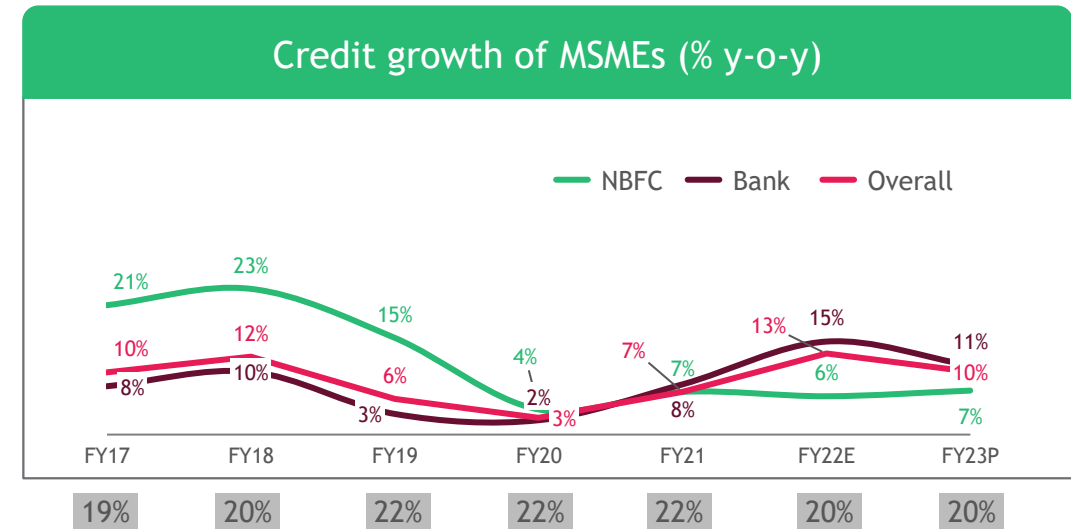
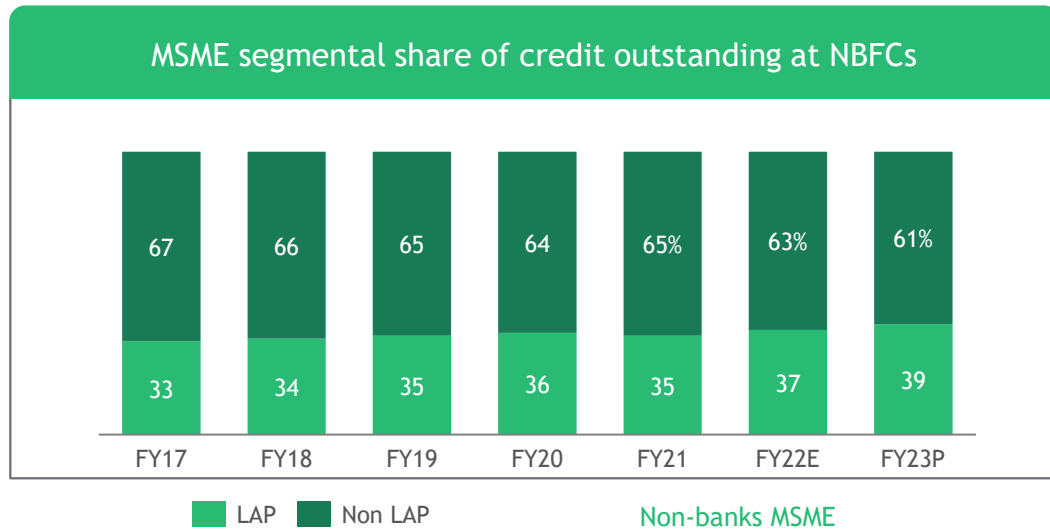


Share of NBFCs





MSME Loan: Lower interest rates & economic revival to aid future growth



E- Estimated, P- Projected
Source: CRISIL Research; BCG analysis

xx% Share of NBFCs



Gold loan: The demand was driven by a sharp increase in prices; gold prices to remain range bound in FY23



Gold loan AUM of industry:
~ 5.1 trillion

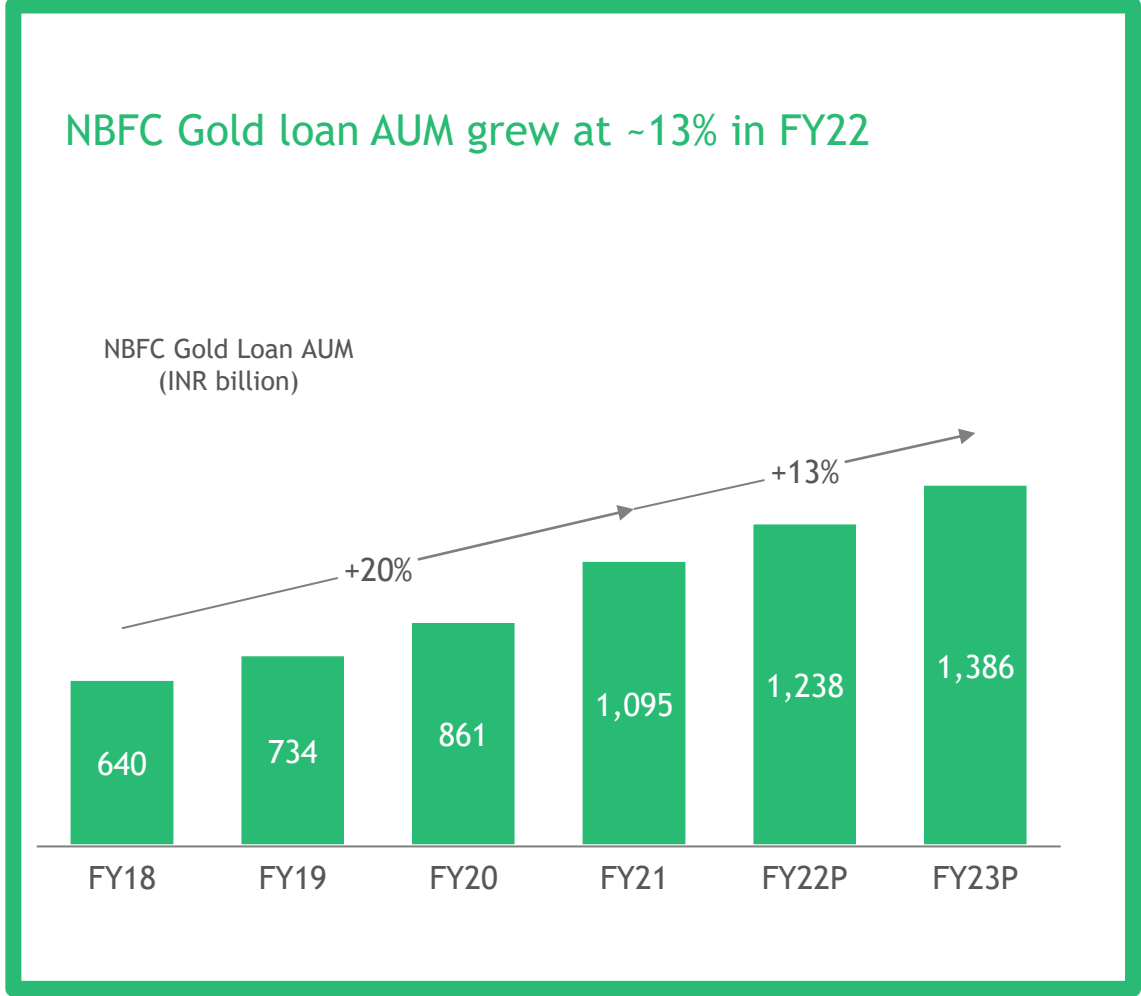
Share
Bank- 76% NBFC- 24%



Book growth - Industry

CAGR (FY18-21)	FY21-22 (YoY %)	FY22-23 (YoY %)
21%	17%	13%

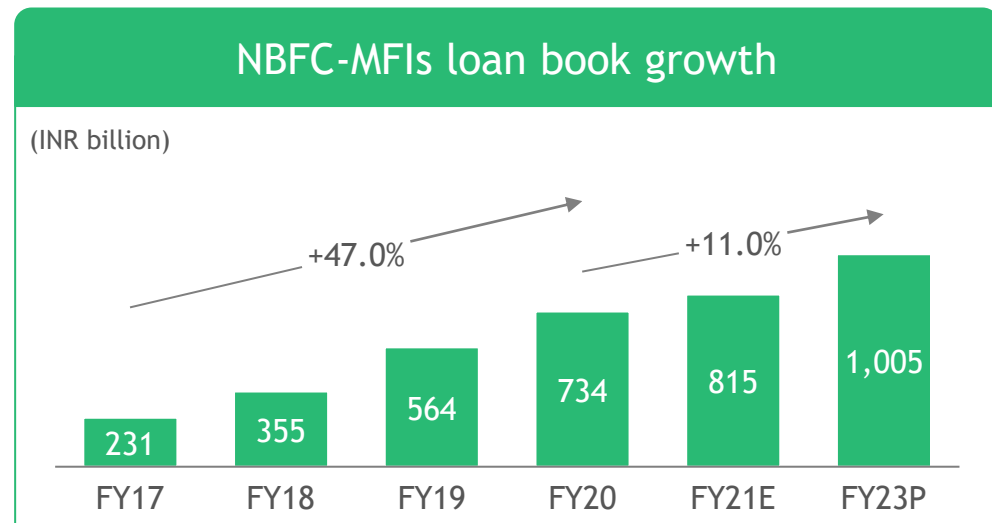
NBFCs have lost market to banks in FY21; share expected to stabilize going forward



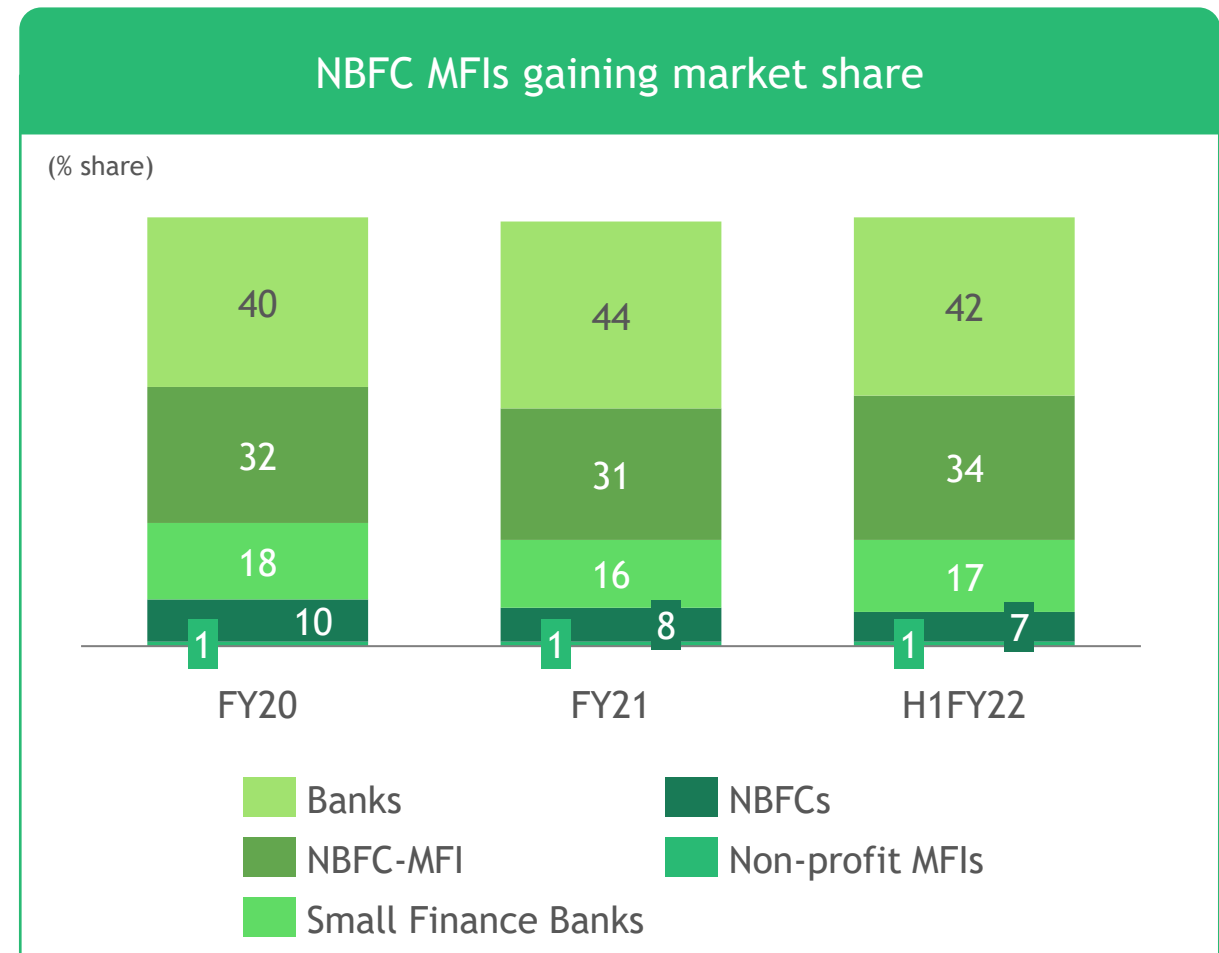


MFI Loan: Economic situation is expected to remain buoyant in FY23; leading to higher disbursement growth & surpassing pre-pandemic levels

MFI Loan Book (H1 FY 22): 2.43 L Cr	Bank-42%	NBFC MFI- 34%	SFBs, Non-Profit MFIs-24%	
NBFC-MFI	CAGR (FY18-21)	H1 FY22 (YoY %)	FY22 (YoY %)	FY23 (YoY %)
Disbursement Growth	24%	-25%	-10%	10-12%
Book Growth	32%	2%	10-12%	10-15%



E- Estimated, P- Projected
Source: CRISIL Research; BCG analysis



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Advances Deep-dive (select products)

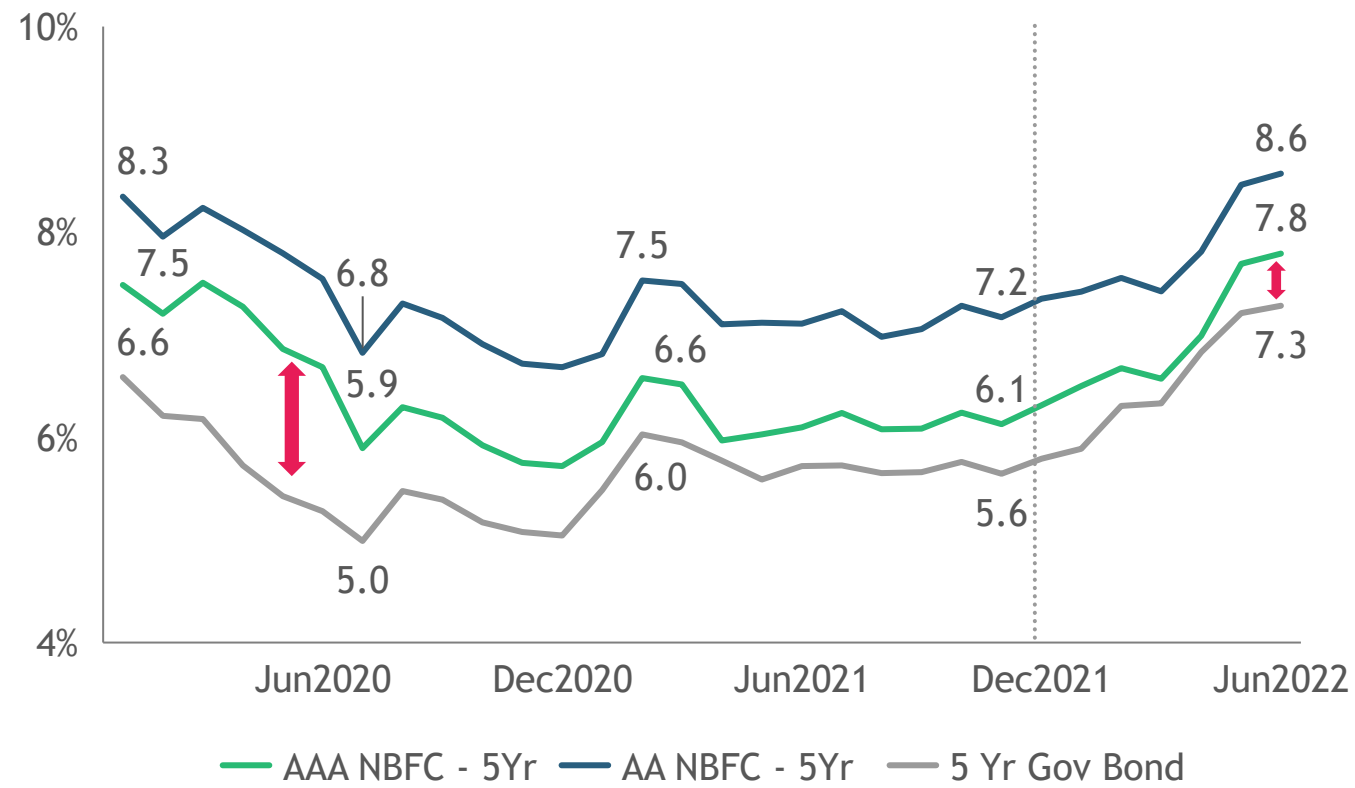
 Recent Trends

Player Performance



NBFC bond yields rising YTD, but spread still low vs. G-sec

Mid YTM bonds yields



- Given the reliance on wholesale funding, rising interest rates adversely impact the NBFCs margins
- With **govt. bond yields rising 90-150 bps YTD**, NBFCs AAA and AA-rated paper yields have also started inching up
- However, spread relative to G-sec declining and at historical lows, amid surplus system liquidity
- Additionally, a few NBFCs have also **raised deposits rates by 15-25 bps** in May



Digital adoption by NBFCs is on a steadfast rise (I/II)



- 100% home loans are on-boarded and decisioned through digital platforms
- 60x jump in digital loans disbursed in Q4FY22 vs. Q4 FY21
- Loans upto Rs 10 lacs via WhatsApp with 5-min approval



- Customers to access their loan account in real-time using WhatsApp A/c Manager
- Customer Service Bot - #AskPriya to assist customers in real time, provide offers



- Digital sourcing contributed to 47% in FY22 vs. 19% in FY21
- Introduced Robotic Process Automation in Central Processing Center to reduce human dependencies



- 91% of loan customers and 67% deposits on-boarded digitally
- Focused on targeting and lead nurturing across multiple digital channels using SaaS marketing solution



Digital adoption by NBFCs is on a steadfast rise (II/II)



- 34% of gold loans customer transacting online
- 45.35 lakh downloads iMuthoot App and 8000+Cr worth of payments
- 10k+ downloads for loan at home app










- 19.1 million active users for its digital app; intends to have 33 million net active users in FY23
- Digitally acquired 455k new EMI card customers in Q4 FY22; total stands at 1.8 million
- Added 1.7 million customers on its wallet in Q4; total 6.5 million customers as of March' 22



- 4.1 + million customers acquired via digital channels in FY22
- 3+ lacs customer calls made using audio visual voice bots (H2 FY22)
- 96% of customer onboarding and 98% EMI collection done digitally




Key Regulatory Measures (I/III)

	Apr 21	Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs)	Limit of audit of four commercial banks, eight UCBs and eight NBFCs for an audit firm in a year made applicable to audit of NBFCs with asset size below Rs. 1,000 crore too
	May 21	PSL by SFBs to NBFC-MFIs	Extension provided for SFBs permitted to reckon fresh lending to smaller MFIs for on-lending to individual borrowers as Priority Sector Lending (PSL) till FY22
	May 21	Special Long-Term Repo Operations (SLTRO) for Small Finance Banks (SFBs)	Special three-year long-term repo operations (SLTRO) of ₹10,000 crore at repo rate for the SFBs, to be deployed for to NBFC-MFIs to be available till October 31, 2021
	May 21	Restructuring existing individual, small business and MSME loans	NBFC's permitted by the RBI to restructure loans of individual, small businesses and MSMEs having aggregate exposure of up to Rs.25 crore and who have not availed restructuring under any of the previous frameworks and who were classified as 'standard' as on 31 Mar 21; The restructuring has to be invoked by Sep 2021
	Jun 21	Risk based Internal Audit (RBIA)	Provisions of RBIA to be applicable to all deposit taking HFCs and non-deposit taking HFCs with asset size of Rs 5,000 crore and above
	Jun 21	Declaration of Dividends	RBI has set a relatively relaxed criteria for dividend payout, as compared with the draft guidelines effective for dividends from profit for FY22 and onwards
	Jun 21	Credit Guarantee Scheme for MFIs	Banks have fully utilized ₹7,500 crore under the Credit Guarantee Scheme for Micro Finance Institutions (MFIs); part of a ₹6.29 lakh crore package to provide relief to various sectors affected by the second wave of the COVID-19 pandemic



Key Regulatory Measures (II/III)

	Jun 21	Consultative document on regulation of Microfinance introduced	RBI discussion paper on borrower based regulatory regime and a movement away from lender based regulatory regime for MFIs introduced in the public domain for consultation with stakeholders
	Sep 21	Launch of Account Aggregator Framework	Introduction of a financial data sharing system to ease the accessibility of financial data, allowing individual consent and went live with 8 banks and multiple fintech firms
	Sep 21	NBFCs allowed to apply for Aadhaar e-KYC license	NBFCs and Payment System Operators allowed to seek Aadhaar Authentication License—KYC User Agency (KUA) or sub-KUA license to perform authentication
	Oct 21	Scale Based Regulation (SBR)	An integrated regulatory framework for NBFCs providing a holistic view of the SBR structure, set of fresh regulations and timelines
	Oct 21	RBI caps IPO financing	Under the SBR framework, there will be a ceiling of ₹1 crore per borrower for financing subscription to an initial public offering (IPO)
	Nov 21	Appointment of Internal Ombudsman by NBFCs	Deposit-taking NBFCs with ten or more branches and non-deposit taking NBFCs with assets size of ₹5,000 crore must appoint an Internal Ombudsman (IO).
	Dec 21	PCA Framework for NBFCs	Established a regulatory course of action in an event of a breach of certain parameters, thus acting as an early warning signal.



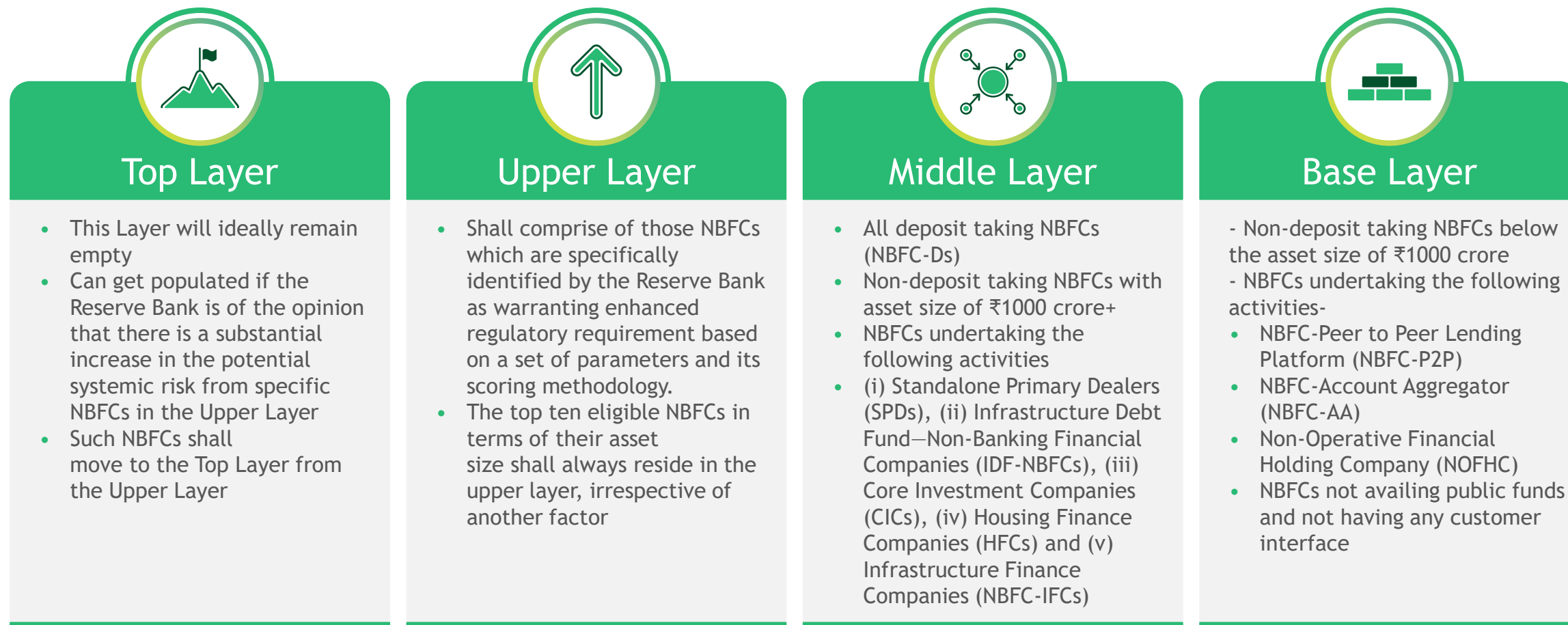
Key Regulatory Measures (III/III)

	Jan 22	Framework for Facilitating Small Value Digital Payments in Offline Mode	An offline payment, transaction which does not require internet or telecom connectivity to take effect
	Feb 22	Implementation of 'Core Financial Services Solution' by NBFCs	The CFSS, as adopted by banks shall provide for seamless customer interface in digital offerings and transactions relating to products and services with anywhere, enable integration of NBFCs
	Mar 22	Regulatory Framework for Microfinance Loans	All collateral-free loans, for households having annual income up to ₹3,00,000, shall be considered as microfinance loans
	Apr 22	Disclosures in Financial Statements	NBFCs are required to make disclosures in their financial statements in accordance with existing prudential guidelines, applicable accounting standards, laws, and regulations
	Apr 22	RBI tightens NBFC lending and disclosure guidelines	Mid layer and Upper layer NBFCs shall not lend more than Rs. 5 crores to directors or their related firms
	May 22	PSL by Commercial Banks to NBFCs and SFBs to NBFC-MFIs	Bank credit to NBFCs for on-lending will be allowed up to an overall limit of 5% of an individual bank's total priority sector lending (PSL) in case of commercial banks and 10% for SFBs to lend to NBFC-MFIs and other MFIs
	Jun 22	Provisioning for Standard assets by NBFC-UL	NBFCs in the upper regulatory layer to maintain provisions for standard advances based on category of assets



Scale based regulatory framework - to aid in better governance practices and structural strengthening of the sector

Classification of NBFCs into various layers as per scale-based approach



Note: The guidelines to be effective from October 2022
Source: Reserve Bank of India



Regulations more closely aligned with banks and would impact metrics of NBFCs



Net Owned Funds

Regulatory minimum Net Owned Fund (NOF) for NBFC-ICC, NBFC-MFI and NBFC-Factors shall be increased to ₹10 crore by March 31, 2027



NPA Classification

Extant NPA classification norm stands changed to the overdue period of more than 90 days for all categories of NBFCs by March 31, 2026



Experience of the Board

At least one of the directors shall have relevant experience of having worked in a Bank/NBFC



Capital Guidelines (For Middle and Upper Layer)

Internal assessment by NBFCs for need of capital; shall be on similar lines as ICAAP prescribed for Commercial Banks under pillar 2

India NBFC Sector Update - FY22

Macro Indicators

Key Performance Indicators- Industry (Banks + NBFCs)

Key Performance Indicators- NBFC Sector

Funding

NPA & Risk Management

Valuation

Advances Deep-dive (select products)

Recent Trends

 Player Performance



Player performance (I/IV)

		Standalone financials											Select NBFCs	
		Period	Advances ¹ Rs Cr		NIM ² (%)		CIR ³ (%)		GNPA (%)		ROA ² (%)		ROE ⁴ (%)	
HFCs	 WITH YOU, RIGHT THROUGH	FY22	5.5L	▲ 14%	2.7	▲ 25 bps	10	▲ 56 bps	1.9	▼ 7 bps	2.3	▲ 7 bps	12.0	▼ 34 bps
		FY21	4.9L		2.5		9		2.0		2.2		12.3	
	 LIC HOUSING FINANCE LTD	FY22	2.5L	▲ 8%	2.3	▲ 3 bps	17	▲ 423 bps	5.4	▲ 134 bps	0.9	▼ 28 bps	10.1	▼ 400 bps
		FY21	2.3L		2.2		13		4.0		1.2		14.1	
	 HOUSING FINANCE	FY22	0.5L	▼ 7%	2.2	▼ 46 bps	35	▲ 1451 bps	4.1	▲ 144 bps	0.9	▼ 33 bps	4.5	▼ 249 bps
		FY21	0.5L		2.6		21		2.7		1.2		7.0	
	 Ghar Ki Baat	FY22	0.6L	▼ 9%	2.5	▼ 41 bps	21	▲ 368 bps	7.6	▲ 317 bps	1.2	▼ 3 bps	8.8	▼ 220 bps
		FY21	0.6L		2.9		18		4.4		1.2		11.0	
	 BAJAJ HOUSING FINANCE LIMITED	FY22	0.5L	▲ 39%	3.1	▲ 66 bps	29	▲ 155 bps	0.3	▼ 4 bps	1.6	▲ 33 bps	11.1	▲ 331 bps
		FY21	0.3L		2.4		28		0.4		1.3		7.8	
	 TATA CAPITAL HOUSING FINANCE LIMITED	FY22	0.3L	▲ 15%	4.1	▲ 27 bps	30	▲ 331 bps	1.6	▼ 54 bps	2.0	▲ 68 bps	17.1	▲ 497 bps
		FY21	0.2L		3.8		27		2.1		1.3		12.1	
	 CanFinHomes Ltd (Sponsor CANARA BANK) Sustaining Dreams with Stability	FY22	0.3L	▲ 20%	3.3	▼ 35 bps	18	▲ 302 bps	0.6	▼ 27 bps	1.9	▼ 23 bps	16.6	▼ 256 bps
		FY21	0.2L		3.6		15		0.9		2.1		19.2	
	 IIFL HOME LOAN	FY22	0.2L	▲ 5%	4.8	▲ 25 bps	22	▼ 112 bps	2.1	▲ 13 bps	3.4	▲ 77 bps	24.0	▲ 362 bps
		FY21	0.1L		4.5		23		2.0		2.6		20.3	
 YOUR ROAD TO A DREAM HOME	FY22	0.1L	▼ 9%	3.5	▲ 40 bps	23	▲ 4 bps	7.4	▼ 33 bps	1.4	▲ 59 bps	12.1	▲ 405 bps	
	FY21	0.1L		3.1		23		7.7		0.8		8.1		
 RepcO Home Finance -We value your Dream-	FY22	0.1L	▼ 5%	4.7	▲ 27 bps	20	▲ 56 bps	7.0	▲ 330 bps	1.6	▼ 79 bps	8.9	▼ 604 bps	
	FY21	0.1L		4.4		20		3.7		2.4		15.0		

1. Advances are half yearly net Advances 2. RoA and NIM are calculated as % of average assets and are annualized 3. CIR is calculated as Opex by Total Income (NII + Other Income) and is annualised 4. RoE are calculated as % of average shareholder's funds and is annualised 5. NA: Not Available
Source: RBI; Capitaline; Press releases; BCG analysis

xxx Change vs. last year



Player performance (II/IV)

		Standalone financials										Select NBFCs		
		Period	Advances ¹ Rs Cr	NIM ² (%)	CIR ³ (%)	GNPA (%)	ROA ² (%)	ROE ⁴ (%)						
Diversified		FY22	1.4L	▲ 28%	10.5	▲ 117 bps	35	▲ 377 bps	2.0	▼ 19 bps	4.1	▲ 128 bps	16.3	▲ 461 bps
		FY21	1.1L		9.4		31		2.2		2.9		11.7	
		FY22	1.2L	▲ 8%	6.6	▲ 33 bps	22	▼ 136 bps	7.1	▲ 1 bps	2.0	▼ 5 bps	11.4	▼ 117 bps
		FY21	1.1L		6.2		24		7.1		2.0		12.6	
		FY22	0.8L	▼ 1%	6.1	▲ 6 bps	35	▼ 258 bps	4.3	NA	0.8	▲ 84 bps	5.0	▲ 502 bps
		FY21	0.8L		6.1		38		NA		0.0		0.0	
		FY22	0.7L	▲ 13%	6.7	▲ 48 bps	35	▲ 375 bps	6.8	▲ 280 bps	2.7	▲ 55 bps	20.2	▲ 310 bps
		FY21	0.7L		6.2		32		4.0		2.2		17.1	
		FY22	0.6L	▲ 1%	7.3	▲ 11 bps	36	▲ 753 bps	7.7	▼ 130 bps	1.3	▲ 85 bps	6.5	▲ 395 bps
		FY21	0.6L		7.2		28		9.0		0.4		2.6	
		FY22	0.6L	▼ 2%	8.1	▲ 73 bps	52	▲ 276 bps	5.0	▲ 49 bps	1.6	▲ 99 bps	11.2	▲ 649 bps
		FY21	0.6L		7.4		49		4.5		0.6		4.8	
		FY22	0.5L	▲ 13%	5.2	▲ 77 bps	31	▼ 102 bps	3.1	▲ 40 bps	2.1	▲ 56 bps	11.9	▲ 276 bps
		FY21	0.5L		4.5		32		2.7		1.5		9.1	
	FY22	0.5L	▲ 26%	5.3	▲ 32 bps	43	▲ 235 bps	2.2	▼ 74 bps	1.5	▲ 9 bps	11.3	▲ 82 bps	
	FY21	0.4L		5.0		41		3.0		1.4		10.5		
	FY22	0.3L	▼ 3%	4.8	▲ 70 bps	32	▲ 92 bps	2.2	▲ 35 bps	2.6	▲ 21 bps	13.8	▲ 2 bps	
	FY21	0.3L		4.1		31		1.8		2.4		13.8		
	FY22	0.3L	▲ 13%	9.9	▼ 14 bps	63	▲ 124 bps	6.3	▼ 6 bps	2.9	▼ 18 bps	12.7	▼ 48 bps	
	FY21	0.3L		10.0		61		6.4		3.1		13.2		
	FY22	0.3L	▲ 20%	8.3	▲ 67 bps	47	▲ 566 bps	7.9	▲ 50 bps	(0.7)	▼ 92 bps	(3.9)	▼ 540 bps	
	FY21	0.2L		7.6		41		7.4		0.3		1.5		

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		Standalone financials										Select NBFCs		
		Period	Advances ¹ Rs Cr		NIM ² (%)		CIR ³ (%)		GNPA (%)		ROA ² (%)		ROE ⁴ (%)	
Diversified		FY22	0.2L	▲ 10%	8.8	▼ 288 bps	57	▲ 2075 bps	6.9	▼ 274 bps	0.2	▲ 462 bps	1.3	▲ 2735 bps
		FY21	0.2L		11.7		36		9.6		(4.4)		(26.0)	
		FY22	0.1L	▼ 17%	8.6	▲ 177 bps	41	▼ 146 bps	3.2	▲ 117 bps	3.3	▲ 164 bps	18.1	▲ 885 bps
		FY21	0.2L		6.8		42		2.0		1.6		9.2	
		FY22	0.1L	▲ 25%	8.2	▼ 33 bps	57	▲ 1163 bps	3.3	▼ 101 bps	2.5	▲ 750 bps	7.7	▲ 3361 bps
		FY21	0.1L		8.5		46		4.3		(5.0)		(26.0)	
		FY22	0.05L	▲ 28%	8.3	▲ 105 bps	44	▲ 1060 bps	2.4	▼ 92 bps	3.3	▼ 29 bps	9.5	▲ 25 bps
		FY21	0.04L		7.2		33		3.3		3.5		9.2	

1. Advances are half yearly net Advances 2. RoA and NIM are calculated as % of average assets and are annualized 3. CIR is calculated as Opex by Total Income (NII + Other Income) and is annualised 4. RoE are calculated as % of average shareholder's funds and is annualised 5. NA: Not Available
Source: RBI; Capitaline; Press releases; BCG analysis

xxx Change vs. last year



Player performance (IV/IV)

		Standalone financials											Select NBFCs	
		Period	Advances ¹ Rs Cr	NIM ² (%)	CIR ³ (%)	GNPA (%)	ROA ² (%)	ROE ⁴ (%)						
MFIs		FY22	0.1L	▲ 26%	9.7	▲ 77 bps	36	▲ 115 bps	3.1	▼ 126 bps	2.8	▲ 156 bps	10.1	▲ 557 bps
		FY21	0.1L		9.0		35		4.4		1.2		4.5	
		FY22	0.05L	▲ 13%	9.6	▲ 106 bps	50	▲ 315 bps	1.7	▼ 10 bps	0.2	▼ 8 bps	1.3	▼ 35 bps
		FY21	0.05L		8.6		47		1.8		0.3		1.6	
		FY22	0.05L	▼ 11%	7.5	▲ 112 bps	64	▲ 495 bps	8.0	▼ 39 bps	0.5	▲ 71 bps	2.6	▲ 352 bps
		FY21	0.06L		6.3		60		8.4		(0.2)		(0.9)	
Gold Loan		FY22	0.6L	▲ 10%	10.6	▲ 17 bps	25	▼ 73 bps	3.0	▲ 211 bps	5.9	▼ 63 bps	23.5	▼ 422 bps
		FY21	0.5L		10.5		26		0.9		6.5		27.8	
		FY22	0.2L	▲ 8%	12.0	▼ 136 bps	43	▲ 1179 bps	3.0	▲ 110 bps	5.0	▼ 191 bps	17.6	▼ 1013 bps
		FY21	0.2L		13.3		31		1.9		6.9		27.7	

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xxx Change vs. last year

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