



Non-Banking Financial Companies (NBFC) Tracker

April 2023

NBFC sector update



The NBFC sector in India has shown remarkable resilience in recovering from the challenges posed by the pandemic. The economic slowdown and disruptions caused by the pandemic had a significant impact on the credit and asset quality of the sector, but recent data suggests that the collection efficiency of NBFCs has remained healthy. Collection efficiency has ranged from 97% to 105% during the first nine months of FY23, which is a positive sign. This trend is attributed to improved economic activity and a favourable operating environment, as well as non-banks returning to normal operations after two years of pandemic-induced disruptions.

Furthermore, the collection efficiency is expected to remain robust due to the strong outlook for the majority of sectors, although the impact of the uncertain global environment is still difficult to predict. In the case of pools carrying interest rate risks, such as housing loans and loans against property, the rating agency estimates that the continuation of rate hikes will not significantly affect the collection efficiencies due to the borrower's association with the underlying collateral (residential properties) and the priority given by borrowers to repay such loans.

In recent years, the microfinance portfolio of NBFCs has been growing steadily, with a positive trend in loan disbursements and collection efficiencies. Leading to greater financial inclusion in the country by providing access to credit for low-income individuals and businesses. In Q3 FY23, NBFC-MFIs disbursed INR 33,786 crores, representing a growth of 47% compared to the same period last year. Microfinance loan disbursements increased by almost 19% to INR 77,877 crores, and nearly 189 lakh loans were disbursed, compared to 165 lakh in Q3 FY22. This growth in loan disbursements is a positive indicator for the NBFC sector.

NBFC performance tracker

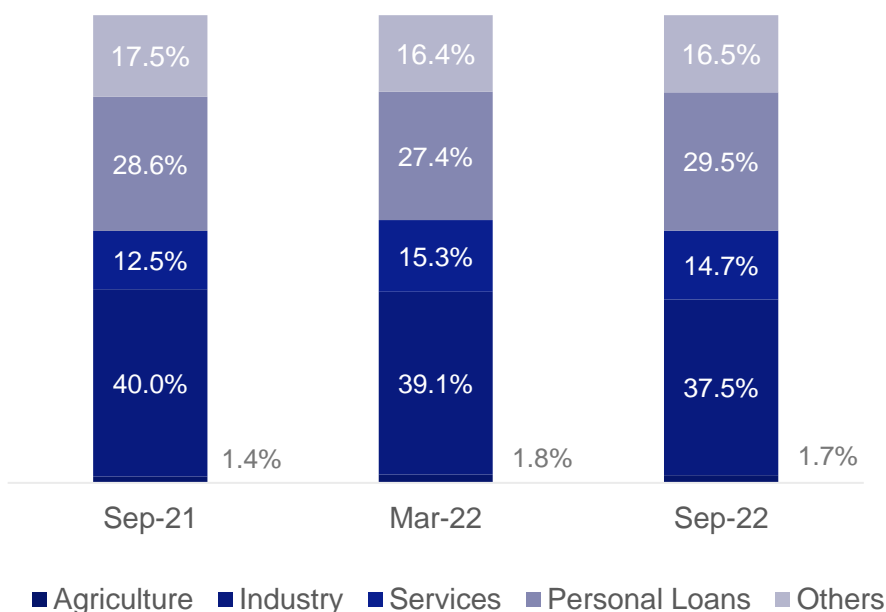
Sectoral Deployment of Credit by NBFCs

Between September 2021 and September 2022, the overall credit extended by NBFCs grew by approximately 15% and reached INR 31.5 lakh crore by the end of September 2022, up from 27.4 lakh crore in September 2021.

Within this, the credit extended for personal loans and to the services sector witnessed an upward trend in growth rates, resulting in increased share of the overall credit to 29.5% and 14.7% share as against 28.6% and 12.5% share in September 2021. Credit extended to agriculture industry also experienced a significant growth during the last one year, leading to a higher share of 1.7% of the overall credit in September 2022, as compared to 1.4% in September 2021.

As compared to other sectors, the amount of credit extended to industry (the biggest category in terms of share) experienced the most modest growth, resulting in decrease in its overall share of credit to 37.5% in September 2022, down from 40% in September 2021.

Sectoral Deployment of Credit by NBFCs



Source: RBI

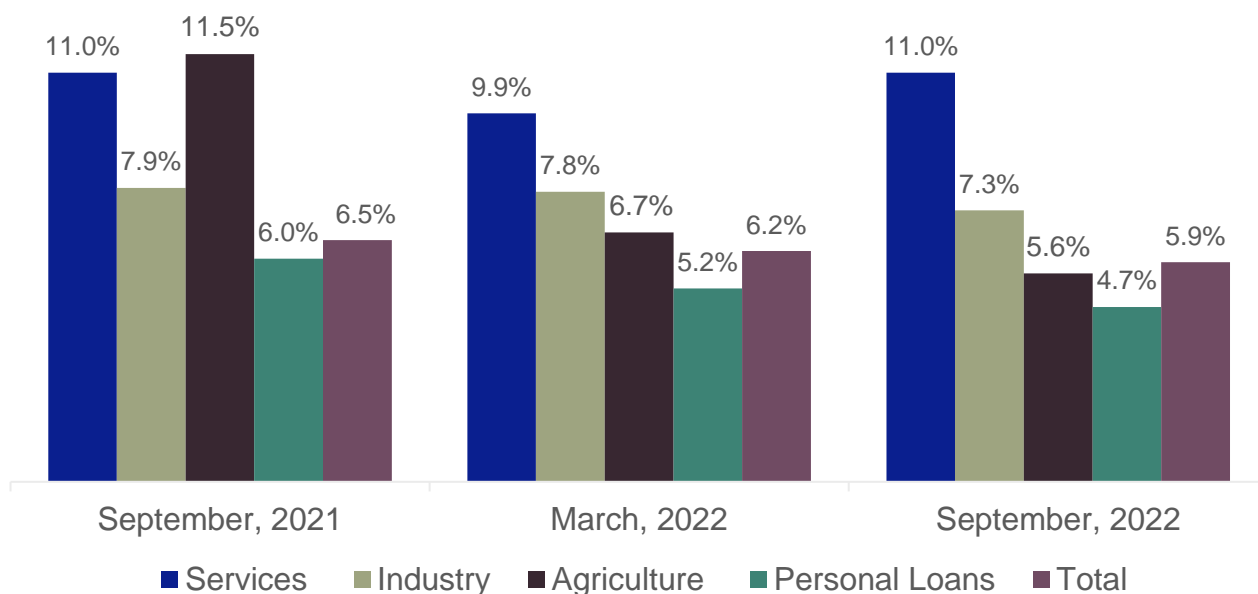
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GNPA – Gross Non-Performing Assets

In September 2022, the GNPA ratio of NBFCs reached 5.9%, down from the peak of 7.2% observed during the second wave of the pandemic and close to the pre-pandemic level. However, the GNPA ratio for the services sector is still high and in the double digits despite the softening being observed across all sectors.

This decline in GNPA was fuelled by a substantial improvement in GNPA in industry, agriculture and personal loans where the GNPA improved to 7.3% from 7.8%, 5.6% from 6.7%, and 4.7% from 5.2%, between to March 2022 to September 2022, respectively. Services sector was the only sector that witnessed an increase during the period, reached 11% in September 2022 from 9.9% in March 2022.

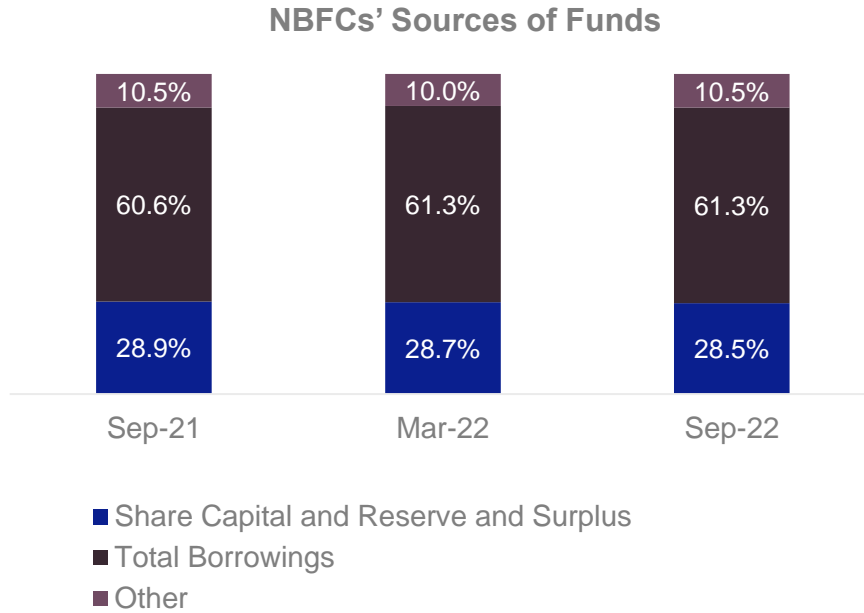
Sector-wise GNPA ratio of NBFCs from September 2021 to September 2022



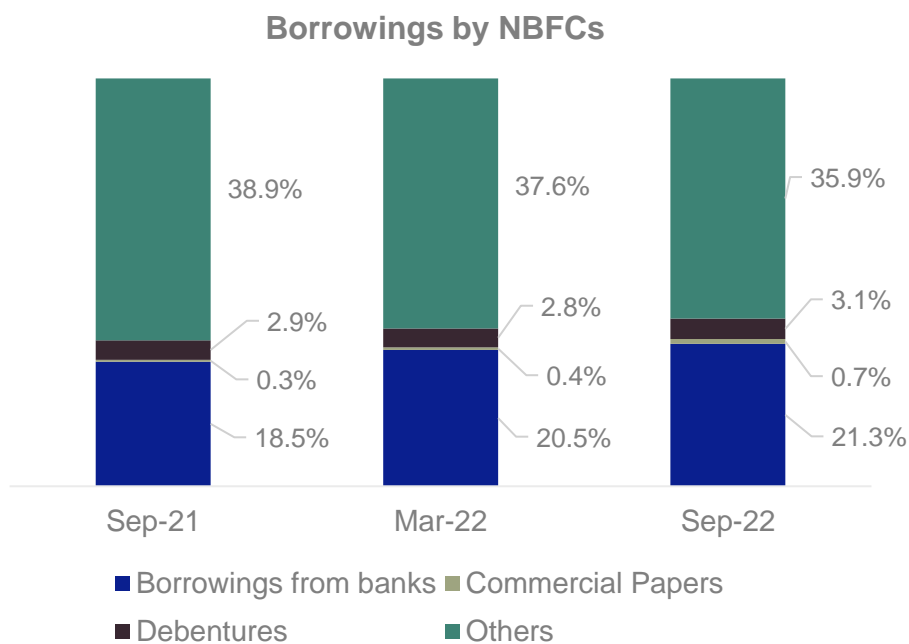
Source: RBI

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NBFCs' Sources of Funds



In terms of funding, NBFCs mainly rely on borrowings to fund their operations. By the end of September 2022, total borrowing accounted for the major share of the source of funds at 61.3% followed by share capital and reserve and surplus at 28.5%. Of the total borrowings, 25.1% were raised through borrowing from banks, Commercial papers subscribed by banks and debentures subscribed by banks.



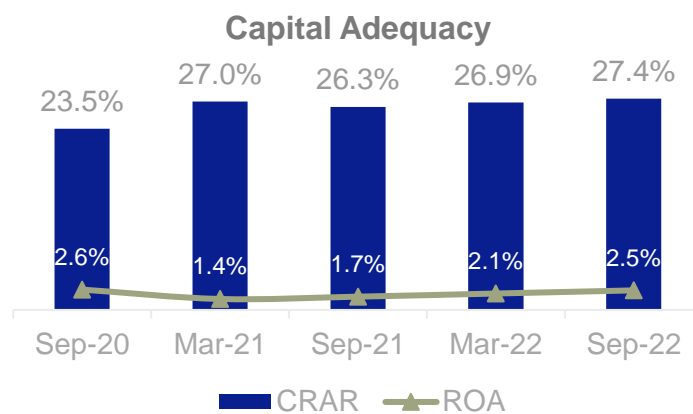
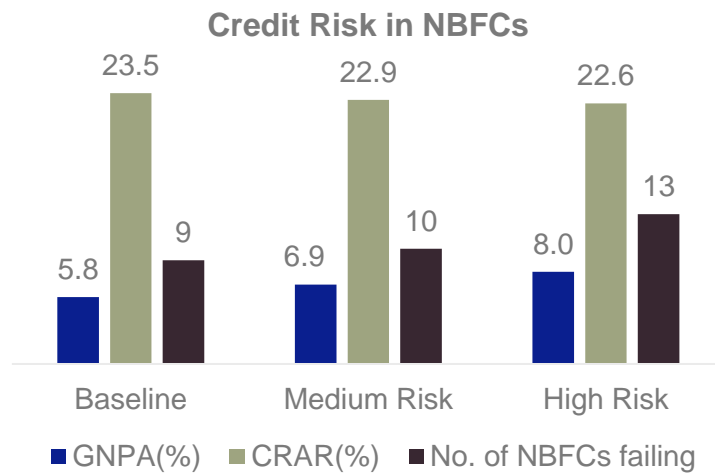
Source: RBI

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Credit Risk in NBFCs

A sample of 152 NBFCs was evaluated for the NBFC sector's resistance to credit risk shocks under two stress scenarios, medium and high risk, with increases in the slippage ratio of 1 SD and 2 SD, respectively. In September 2022, the capital adequacy ratio of sample NBFCs reached 26% and their GNPA ratio was estimated at 4%. Based on the presumption that business will proceed as usual, the baseline scenario holds for the year following this reference date.

GNPA of NBFCs falling under the category of baseline, medium risk, and high risk stood at 5.8%, 6.9%, and 8% respectively. Similarly, CRAR stood at 23.5%, 22.9%, and 22.6% for baseline, medium risk, and high risk. The number of NBFCs failing to maintain the minimum regulatory standard of 15% was at 9 (similar to 9 in March 2022) for the category of baseline, 10 (as compared to 12 in March 2022) for the category of medium risk and 13 (as compared to 15 in March 2022) for the category of high risk.



Source: RBI, Mazars Analysis

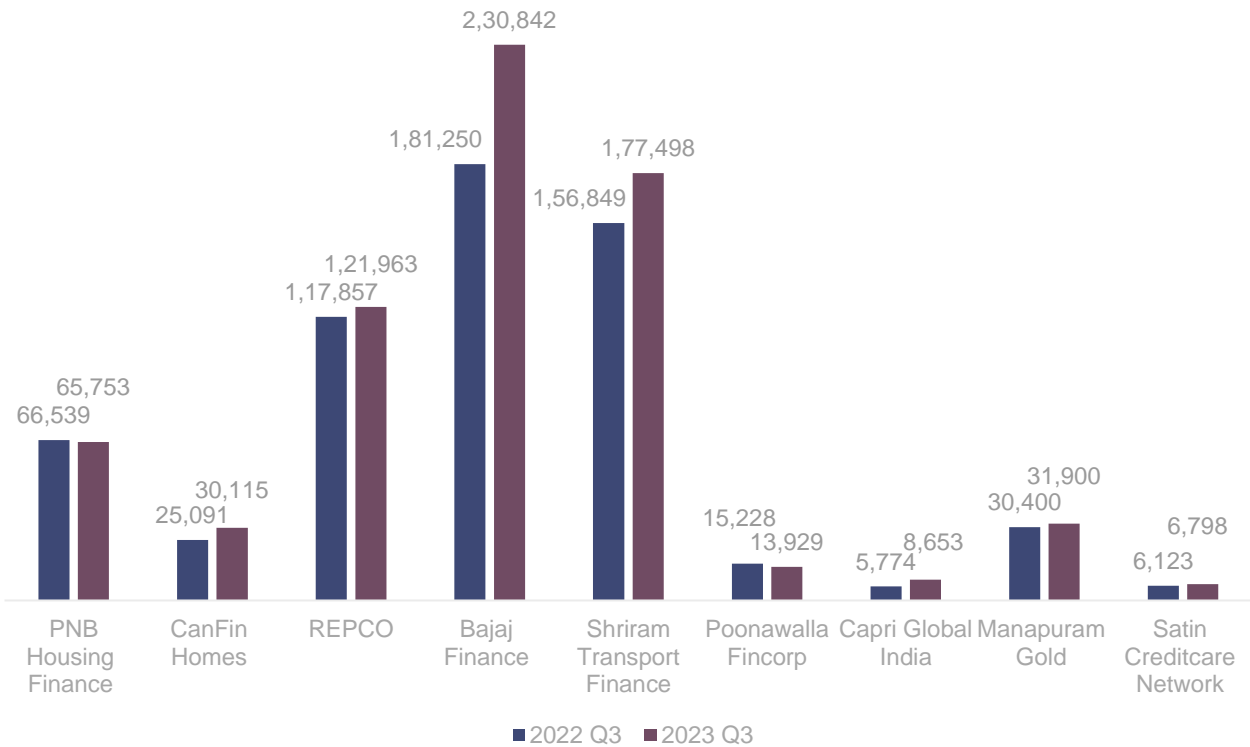
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Top NBFCs and a track of their performance

The total assets under management by top NBFCs under analysis totalled INR 6,87,451 crores during Q3 FY 23, up from INR 6,05,110 crores in Q3 FY 22. A substantial increase of INR 82,340 crores, witnessing an overall growth of 13.7% during the period.

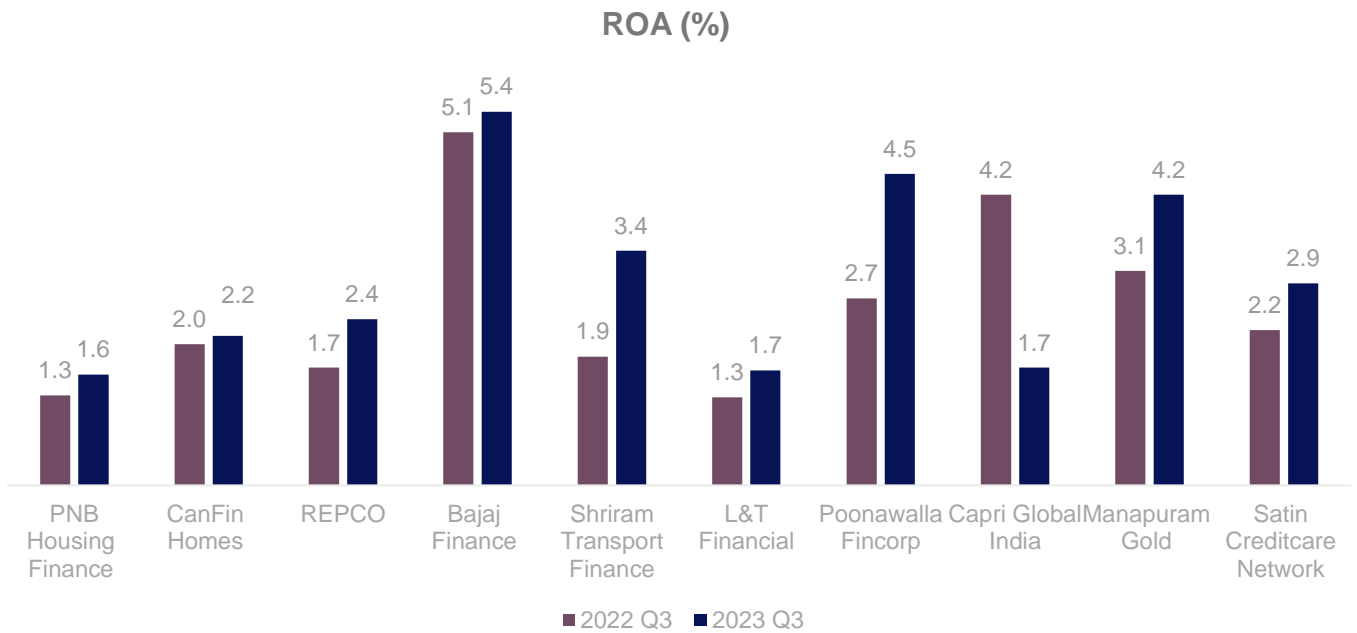
Between Q3 of FY22 and Q3 of FY23, Capri Global India witnessed the most significant growth in AUM, grew by approximately 49.8%, to INR 8,652.5 crores from INR 5,773.6 crores. Followed by Bajaj Finance Limited and CanFin Homes, experiencing an overall growth of 27.3% and 20% in AUM, respectively.

Assets Under Management (INR Crs.)



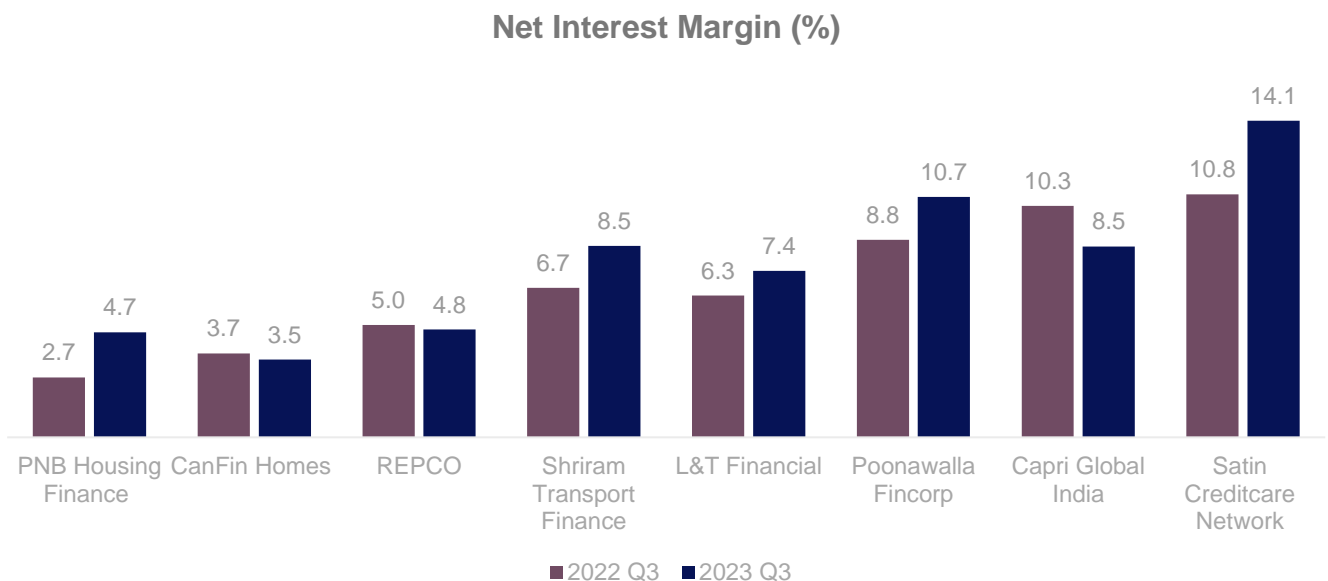
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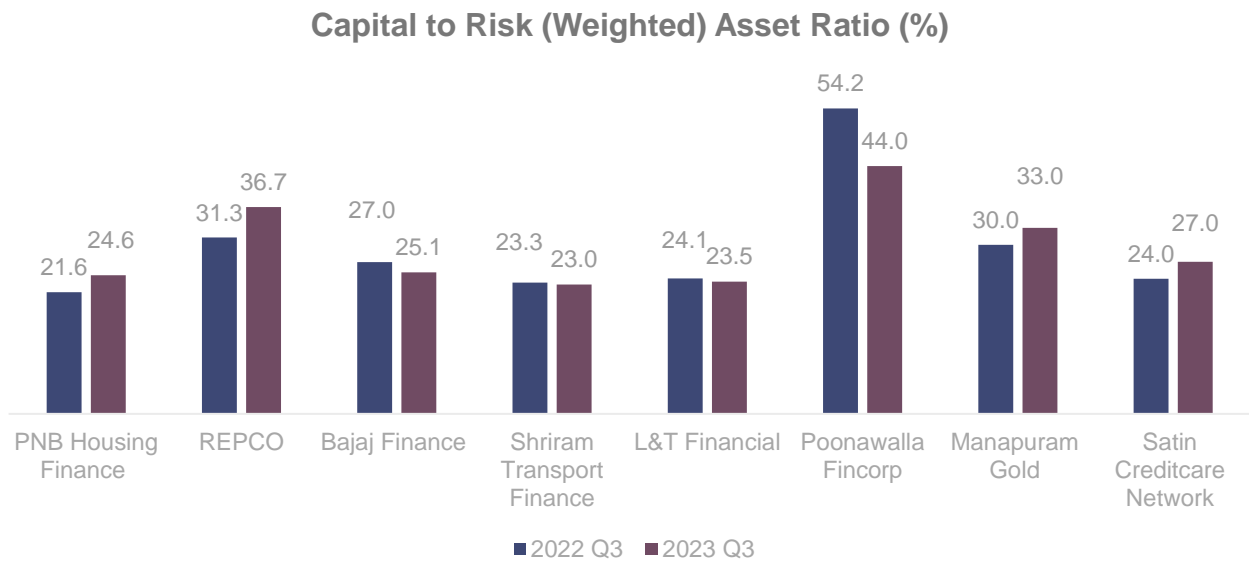
The top NBFCs under analysis saw a boost in their average ROA between Q3 FY22 and Q3 FY23. During the period, the ROA of NBFCs witnessed 0.4% increase, reaching 3% in Q3 FY23, up from 2.5% in Q3 FY22. All the NBFCs experienced an increase in ROA during the period, except Capri Global India which experienced a decline of 2.5%

Similarly, the Net Interest Margin of the top companies analysed grew by 1.3% and averaged 7.6% in Q3 FY23, as compared to 6.3% in Q3 FY22. Satin Creditcare Network experienced the greatest increase of 3.2% among the top NBFCs, followed by 2% for PNB Housing Finance and 2% for Poonawalla Fincorp. While Capri Global India, witnessed the most significant decline, the Net Interest Margin for the lender declined by 1.8% during the same period.



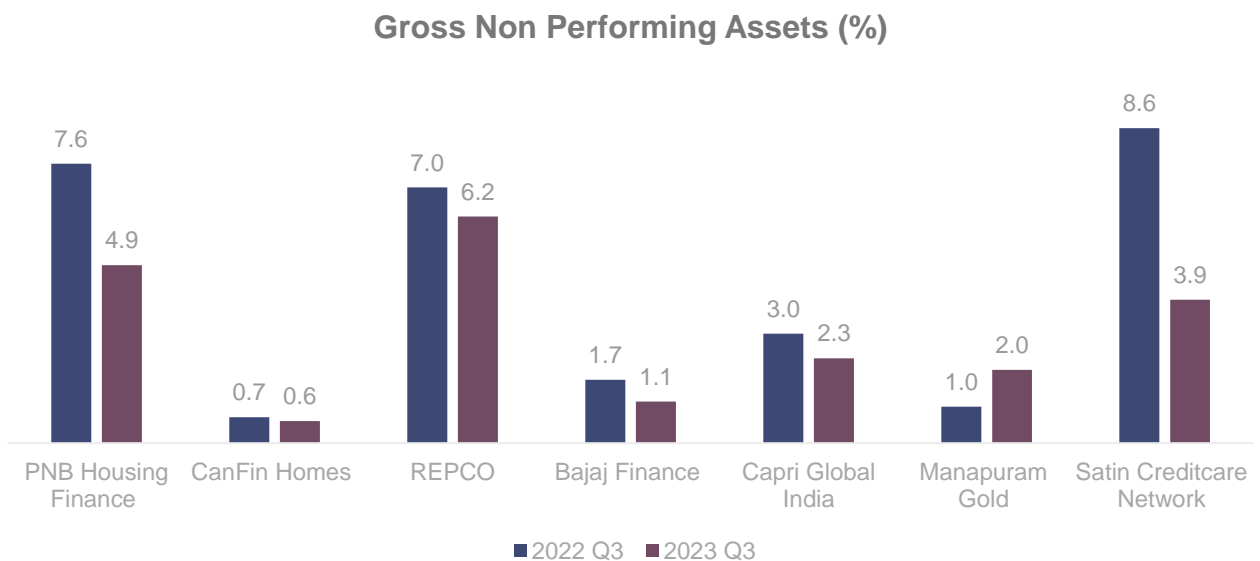
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During Q3 FY22 and Q3 FY23, the average capital adequacy ratio for the top NBFCs under examination experienced an increase of 0.7%. REPCO experienced the most significant increase, its Capital to Risk (Weighted) Asset Ratio increased by 5.4% to 36.7% in Q3 FY23. While Poonawalla Fincorp experienced the most significant decline (down 10.2%) during the same period.

However, in terms of GNPA, Manapuram Gold was the only NBFC that experienced an increase between Q3 FY22 and Q3 FY23. Satin Creditcare Network witnessed the most significant improvement, the GNPA for the NBFC fell by 4.7% during the period, while PNB Housing Finance and REPCO witnessed an improvement of 2.7% and 0.8%, respectively.



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