

NBFCs' loan share could go up 300 bps in three years: Crisil

Our Bureau

Mumbai, November 23:

The share of systemic credit of non-banking finance companies (NBFCs) could rise 300 basis points (bps) to 17.6 per cent in the next three fiscals through 2019, according to credit rating agency Crisil.

That builds on a growth of 300 bps seen in the last five years. One basis point is equivalent to one-hundredth of a percentage point.

Crisil Ratings observed that NBFCs are back in the limelight by their achieving significant scale and carving out a larger share of the systemic credit for themselves.

The agency said NBFCs, including housing finance companies, achieved high growth in the past by leveraging innovation, origination and customer connect, and by diversifying their funding profile. They could grow even faster as public sector banks, facing asset quality challenges remain circumspect on lending.

Gurpreet Chhatwal, Business Head, Large Corporates, Crisil Ratings, said: "Domestic NBFCs have leveraged their unique strengths and some of them have scaled up to become world-class institutions. NBFCs with assets of over ₹ 40,000 crore more than trebled to 10 from three in the last four fiscals."

Innovative product launches have resulted in robust diversification that, in turn, strengthened business profiles. Products that constituted just 16 per cent of NBFC advances in fiscal 2012 will constitute 40 per cent by fiscal 2019, said the agency.

"Much of the growth has emanated from mortgages and MSME financing. We expect NBFCs to steadily grow their higher-yielding unsecured MSME financing book," elaborated the agency note.

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