

NBFCs' retail lending to grow at 19-21% in FY19: Report

PTI



MUMBAI, JUNE 28

Retail loan book of non-banking financial companies (NBFCs) is likely to grow at 19-21 per cent in the current fiscal year, driven by the high demand for commercial vehicle (CV) loans, said a report.

NBFCs being the key financiers to the CV segment would benefit from the expected new vehicle sales growth and demand for used vehicles in FY19, Icra said in its report today.

The rating agency said it “expects the NBFC-retail credit, which stood at Rs 7.5 trillion as on March 31, 2018, to expand at 19-21 per cent during FY2019, as key growth drivers for large asset sub-categories remains intact.”

SME credit is expected to grow at 23-25 per cent in FY19, according to Icra, driven by sizeable unmet demand, increased working capital requirement post GST implementation and limited credit availability from banks.

The report found the share of unsecured personal credit and microfinance together increasing to 15 per cent in March 2018, from 8 per cent in March 2015, growing at a CAGR of 45 per cent.

Icra expects growth in this segment to remain robust at about 40 per cent in FY19 as well.

A M Karthik, assistant vice-president and sector head (financial sector ratings), Icra, said NBFCs are focusing on unsecured credit more to improve product diversification while also chasing higher business yields.

“Better borrower seasoning with NBFCs, availability of credit bureau data and access to improved information technology and credit assessment systems supplemented NBFC credit to this segment,” he said.

Meanwhile, the retail asset quality of NBFCs improved in FY18, with 90 days past due (dpd) declining to 4.4-4.5 per cent, from 4.7-4.8 per cent in FY17.

This improvement in asset quality was aided by recoveries and sharp increase in portfolio observed in the second half of FY18, said Karthik.

Asset quality was also supported by a better or a relatively stable performance indicators of key asset classes, namely CV, SME credit (including loan against property), tractor and construction equipment, Icra said.

Published on June 28, 2018

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