

COVID-19 impact: Assets under management of NBFCs may degrow first time in 20 years, says Crisil

By: FE Bureau

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Analysing the impact of Covid-19, rating agency Crisil on Wednesday said assets under management (AUM) of non-banking financial companies (NBFCs) might degrow for the first time in nearly 20 years. The non-bank lenders' AUM may show negative growth of 1-3% this fiscal year due to fall in disbursements, it said. The Crisil report also mentioned that lower repayments during the moratorium period and capitalisation of accumulated interest would, however, help limit degrowth in AUM.

Krishnan Sitaraman, senior director of Crisil Ratings, said, "While disbursements across segments are expected to fall 50-60%, AUM trajectory will differ by segment." The report revealed that most segments could witness contraction in the current financial year.

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reasons for lower disbursements. The tightening of underwriting standards by NBFCs, amid weak economic activities, and expectations of increasing delinquencies will also add to lower disbursements.

The AUM in real estate and structured credit sector may fall 10-12% in FY2021, said the report. Similarly, AUM in vehicle finance may fall 3-5% for NBFCs in the current financial year. Similarly, the same in micro, small and medium enterprises (MSMEs) segment may also fall 3-5% in FY2020-21. "The silver lining, however, would be gold loans, which constitute around 5% of the AUM," Sitaraman said. According to the report, the AUM in gold loans sector may grow by 14-16% for NBFCs.

The report also said challenging macroeconomic environment, competitions from banks, and sharper focus on liquidity were major

Ajit Velonie, director of Crisil Ratings, said, "Despite the decline in interest rates over the past six months, the funding cost for NBFCs has remained relatively high because of risk aversion among investors and lenders."

Non-bank lender [PNB Housing Finance](#) had earlier reported six-year-low disbursements of Rs 694 crore in the June quarter. The AUM grew 5% year on year (YoY) to Rs 83,495 crore in June 2020.



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