Crisil
Intelligence

Report on Loans and Financial Services Industry in India

For HDB Financial Services Limited

June 2025

MACROECONOMIC SCENARIO IN INDIA

As per IMF, Global economy is expected to grow at 3.3% both in CY2025 and CY2026

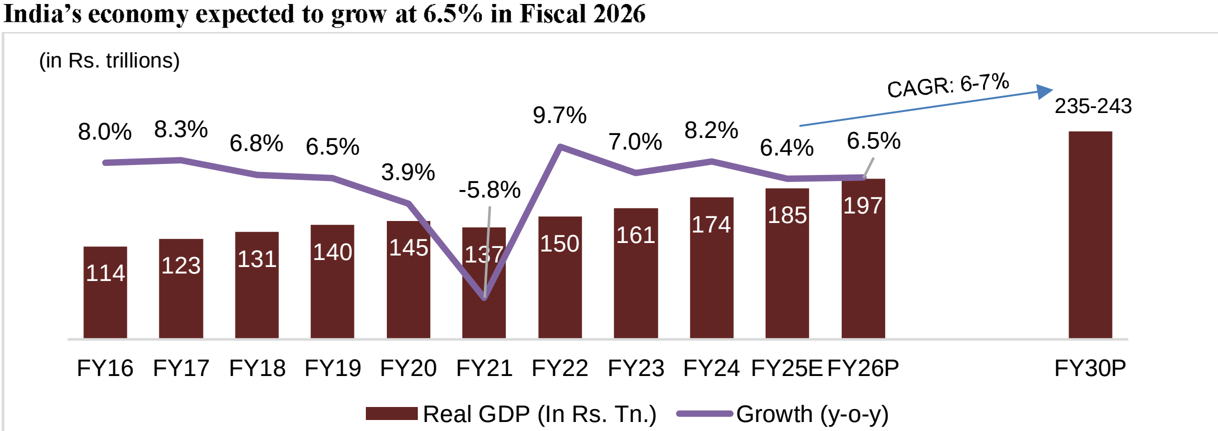
As per the International Monetary Fund (IMF) (World Economic Outlook – April 2025), global GDP growth is projected at 2.8% in CY2025 and 3.0% in CY2026 as compared to 3.3% projected in January 2025 for both CY2025 and CY2026. Global growth numbers have been revised on account of swift escalation of trade tensions and high level of policy uncertainty intensifying downside risks. Global inflation is projected at 4.3% in CY2025 and 3.6% in CY2026. Furthermore, the risks to inflation remain significant going forward, with the likely tariffs being imposed by the US on imports. US GDP grew at an annualized and seasonally adjusted 2.8% in the third quarter of 2024 from 3.0% in the second quarter on account of further decrease in residential fixed investment and downturn in private-inventory investment. The US GDP grew at an annualized rate of 2.4% in the fourth quarter of 2024 driven by an increase in consumer and government spending, partially offset by a decrease in investment. The euro area's GDP rose 0.1% in the fourth quarter of 2024 vs growth of 0.4% in the previous quarter.

India is expected to remain one of the fastest-growing economies in the world despite challenges posed by geopolitical instability. In May 2025, the National Statistical Office (NSO), in its first revised estimates of national income, estimated the country's real gross domestic product (GDP) to have expanded 6.5% on-year in Fiscal 2025. The Indian economy was among the fastest-growing even before the Covid-19 pandemic. In the years leading to the global health crisis, which disrupted economic activities, the country's economic indicators improved gradually owing to strong local consumption and lower reliance on global demand.

The Trump Administration in the United States (US) announced a host of tariffs on products such as automobile, automobile parts, steel and aluminum in the first three months of CY2025. On April 5, 2025, the US announced an additional tariff of 10% on nearly all countries in addition to the existing tariffs. China and European Union announced retaliatory tariffs on the US. On April 9, 2025, US government paused differential tariffs for most countries for 90 days excluding China which will face a higher tariff of 125 percent. The introduction of tariffs on major global economies is expected to increase downside risks on global growth. India expected to remain one of the fastest growing economies in the world.

Going forward, the expectation of slower global growth, along with anticipated reciprocal tariffs on India after three months, is likely to exert downside risks to Crisil's 6.5% growth forecast for fiscal 2026. Uncertainty about the duration and frequent changes in tariffs could also hinder domestic investments. Interest rate cuts, income tax relief and easing inflation are expected to provide tailwinds to domestic consumption in Fiscal 2026, while the expected normal monsoon will support agricultural incomes. Moreover, the anticipated decline in global crude oil prices, resulting from a potential global slowdown, is expected to provide additional support to domestic growth.

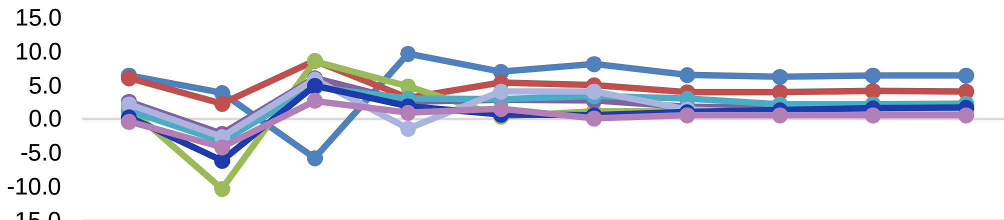
India's economy expected to grow at 6.5% in Fiscal 2026



Note: E = Estimated, P = Projected; GDP growth till fiscal 2024 is actuals. GDP Estimates for fiscals 2024- 2025 is based on First advance NSO Estimates and 2025-2026 is projected based on Crisil Intelligence estimates and that for fiscals 2026-2030 based on IMF estimates; Source: NSO, Crisil Intelligence, IMF (World Economic Outlook – April 2025)

Over the past three fiscals (Fiscals 2022 to 2024), the Indian economy has outperformed its global counterparts by witnessing a faster growth. In the IMF's April 2025 update, it raised the GDP growth forecast for India highlighting India's improved prospect for private consumption particularly in rural areas. Going forward as well, IMF projects that Indian economy will remain strong and would continue to be one of the fastest growing economies.

India is one of the fastest-growing major economies (real GDP growth, % on-year)



	2019	2020	2021	2022	2023	2024	2025E	2026P	2027P	2028P
India	6.5	3.9	-5.8	9.7	7.0	8.2	6.5	6.3	6.5	6.5
China	6.1	2.3	8.6	3.1	5.4	5.0	4.0	4.0	4.2	4.1
United Kingdom	1.6	-10.3	8.6	4.8	0.4	1.1	1.1	1.4	1.5	1.5
United States	2.6	-2.2	6.1	2.5	2.9	2.8	1.8	1.7	2.0	2.1
Brazil	1.2	-3.3	4.8	3.0	2.9	3.4	3.0	2.2	2.2	2.3
Russia	2.2	-2.7	5.9	-1.4	4.1	4.1	1.5	0.9	1.1	1.1
South Africa	0.3	-6.2	5.0	1.9	0.7	0.6	1.0	1.3	1.6	1.7
Japan	-0.4	-4.2	2.7	0.9	1.5	0.1	0.6	0.6	0.6	0.6

Note: All forecasts refer to IMF forecasts. GDP growth is based on constant prices. Data represented is for calendar years. Growth numbers for India until 2026 are for financial year, 2025 is as per the NSO's second advance estimates for Fiscal 2025. Post Fiscal 2025, all estimates for India are as per the IMF and for calendar years. Data represented for other countries is for calendar years
Source: IMF (World Economic Outlook – April 2025), Crisil Intelligence

India secured the 3rd position in terms of GDP based on purchasing power parity, accounting for a share of 8.2% of the world total, projected to increase to 9.7% in CY 2029.

Country	CY 2024		CY 2029P	
	Gross domestic product based on purchasing-power-parity (PPP) share of world total (%)	Ranking	Gross domestic product based on purchasing-power-parity (PPP) share of world total (%)	Ranking
China	19.1	1	19.6	1
United States	15.0	2	14.3	2
India	8.2	3	9.7	3
Russia	3.6	4	3.2	4
Japan	3.4	5	3.0	5
Germany	3.1	6	2.8	6
Brazil	2.4	7	2.3	8
Indonesia	2.4	8	2.6	7
France	2.2	9	2.1	9
United Kingdom	2.2	10	2.0	10

Note: P- Projected, Source: IMF World Economic Outlook- April 2025, Oct Database, Crisil Intelligence

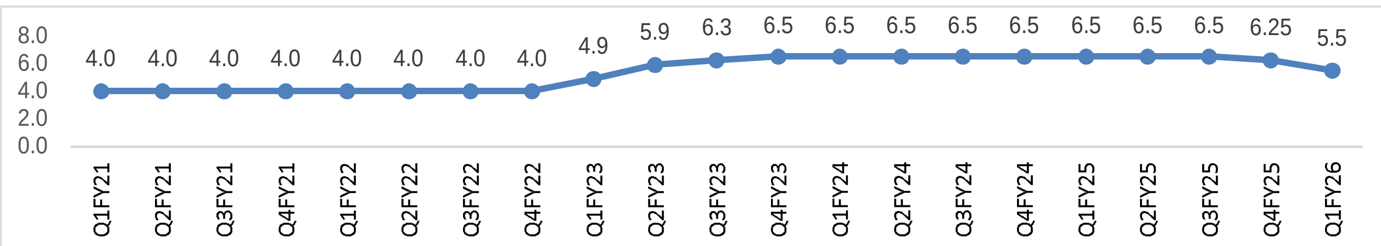
Indian economy to be a major part of the world trade

Along with being one of the fastest growing economies in the world, India overtook the Japan to become the fourth -largest economy in the world in CY 2025. In terms of purchasing power parity ("**PPP**"), India is the third-largest economy in the world, after China and the United States. According to the United Nations Conference on Trade and Development, global trade improved between January and March 2024.

RBI cuts repo rate by 50 bps

The Reserve Bank of India's (RBI) Monetary Policy Committee (MPC) cut the repo rate 50 basis points (bps), more than the 25-bps cut in the previous meeting. That done, the MPC changed the stance from accommodative to neutral, while emphasizing that monetary policy space to support growth was shrinking. This signals that monetary policy actions will be more data-dependent hereon. US tariff hikes, moderating US federal reserve rate cuts and weather-related risks will have bearing on the rate cutting cycle.

Repo rate in India (%)

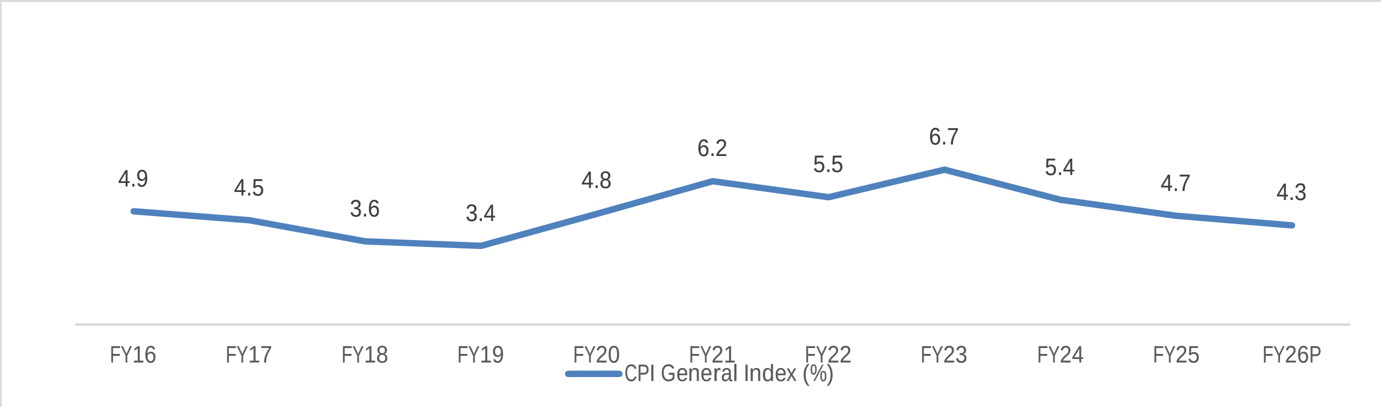


Source: RBI, Crisil Intelligence

Consumer Price Index ("CPI") inflation to average at 4.3% in Fiscal 2026

The Consumer Price Index (CPI)-based inflation eased to 3.2% in April 2025, the lowest reading since July 2019. The decline was driven by food inflation, which fell to 1.8%, the lowest since October 2021. A record rabi harvest and robust pulses output indicated by the Union Ministry of Agriculture's Second Advance Estimates, and the forecast of a favourable monsoon for the upcoming kharif season to keep food inflation in check in Fiscal 2026. Crisil Intelligence expects headline retail inflation to average 4.3% in Fiscal 2026. Additionally, the increasing occurrence of heatwaves poses a growing threat to agricultural productivity and, by extension, food inflation thus warranting close monitoring.

Inflation to moderate to 4.3% in Fiscal 2026



Note: P = Projected, Source: Crisil Intelligence

Macroeconomic outlook for India (Fiscal 2026)

Macro variables	Fiscal 2026P	Rationale for outlook
Real GDP (y-o-y)	6.5%	Lower inflation and RBI's rate cuts are expected to lift growth next fiscal, assuming a normal monsoon and lower crude oil prices. Any substantial pick up in investment growth will hinge on accelerating private capex. Exports face headwinds from tariff hikes initiated by the US.
Consumer Price Index (CPI) inflation (y-o-y)	4.3%	Inflation is expected to move closer to the RBI's target of 4% on expectations of a normal monsoon, high base effect in food inflation and softer global commodity prices. Some uptick is expected in non-food inflation due to an adverse base.
10-year Government security yield (Fiscal end)	6.4%	Rate cuts by RBI, lower inflation and softer crude oil prices are expected to lead to a mild softening of yields in fiscal 2026. A rise in gross market borrowings will cap the downside to yields.
Fiscal Deficit (% of GDP) *	4.4%	Fiscal consolidation will be made possible via moderating revenue expenditure thrust even as capex focus is broadly maintained. The budget banks on revenue collection to remain robust.
CAD (Current Account Deficit as % of GDP)	-1.3%	Current account deficit (CAD) is expected to increase owing to headwinds to exports from US tariffs. Lower crude oil prices, healthy services trade balance and robust remittances growth will prevent CAD from widening too much.
₹/$ (March average)	88.0	A manageable CAD would mean not much pressure on the rupee, but geopolitical shocks could keep the rupee volatile

*P – Projected, # As per NSO estimates * Fiscal 2026 numbers are government's revised and budget estimates; Source: Reserve Bank of India (RBI), National Statistics Office (NSO), Crisil Intelligence*

Positive government measures to aid economic growth for India

- PMAY was introduced in 2015 to provide affordable housing for all by the end of 2022. The timelines were revised to FY24 and FY25 for PMAY-Gramin and PMAY-Urban respectively due to delays in completion. Execution under the scheme has been encouraging with ~2.60 crores houses being completed as of May 2024, out of the targeted 2.95 crore houses. The target for the next five years has been further increased by ~2 crore houses in the FY25 budget estimate; a 68% addition to the current target of ~3 crore houses. The move provides an impetus to the real estate sector as well its stakeholders including – developers, engineering, procurement and construction contractors, allied industries such as steel, cement etc.

- The government has also launched the Jan Dhan-Aadhaar-Mobile (JAM) trinity which aims to link Jan Dhan accounts, mobile numbers and Aadhar cards of all Indian nationals to transfer cash benefits directly to the bank account of the intended beneficiary and avoid leakage of government subsidies.

- India Stack, set of digital infrastructure including Aadhar, UPI, Digi locker, e-KYC and e-Sign has enabled many unbanked citizens to access formal financial services, promoting financial inclusion.

- The GST regime has been stabilizing fast and is expected to bring more transparency and formalization, eventually leading to higher economic growth.

- MSMEs have received special focus, with initiatives such as the new credit guarantee scheme, offering coverage of up to ₹100 crore per applicant and increases in the limit for the Tarun category under Mudra loans from ₹10 lakhs to ₹20 lakhs. The Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGMSE) was launched to make available collateral-free credit to the micro and small enterprise sector. Both the existing and the new enterprises are eligible to be covered under the scheme. The Ministry of Micro, Small and Medium Enterprises and Small Industries Development Bank of India (SIDBI), established a Trust named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to implement the Credit Guarantee Fund Scheme for MSMEs. Moreover, Public Banks have taken steps to develop an in-house technology-based underwriting model to assess MSMEs, which will improve credit facilities for these enterprises.

- Government launched the Digital India program, on 1st July 2015 with the vision of transforming India into a digitally empowered society and a knowledge-based economy, by ensuring digital access, digital inclusion, digital empowerment and bridging the digital divide. Some of the key initiatives and related progress under Digital India are as follows-

  - Cyber Security: The Government has taken necessary measures to tackle challenges about data privacy and data security through introducing the Information Technology (IT) Act, 2000 which has necessary provisions for data privacy and data security.

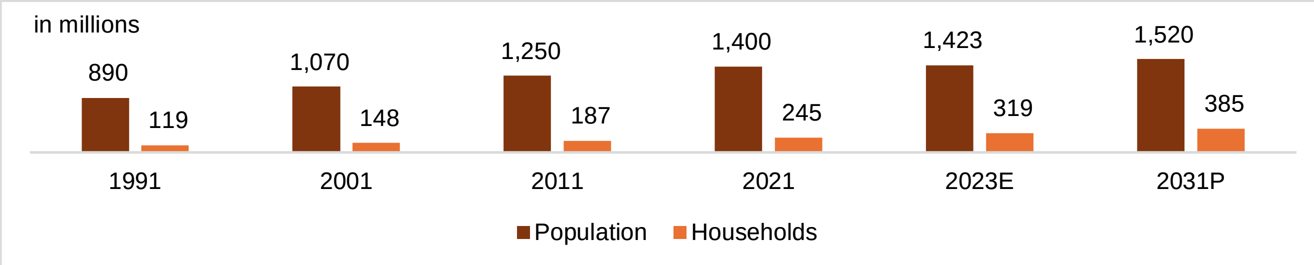
Overall, these initiatives will improve the digital connectivity of Indians along with boosting business sentiment, thereby creating new opportunities.

India's Long Term Structural Growth Drivers

India has the world's largest population

As per Census 2011, India's population was ~1.3 billion and comprised nearly 187 million households. The population, which grew at nearly 1.5% CAGR between 2001 and 2011, is expected by Crisil Intelligence to have grown at 1.1% CAGR between 2011 and 2021 and reached 1.4 billion. The population is expected to reach 1.5 billion by 2031 from 1.4 billion in 2021, and the number of households are expected to reach ~385 million in 2031 from 245 million in 2021, reporting a CAGR of 4.6% from FY21 to FY31.

India's population growth trajectory and number of households

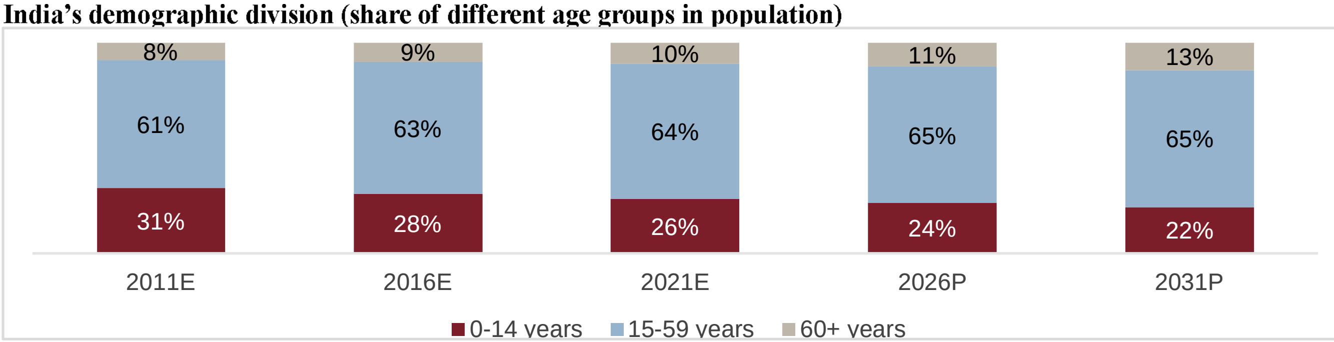


Note: As at the end of each Fiscal. P: Projected, Source: United Nations Department of Economic and Social Affairs, (https://population.un.org/wpp/), Census India, Crisil Intelligence

Favorable demographics

India has one of the world's largest youth populations, with a median age of 28 years. About 90% of Indians are below 60 years of age. In 2022, it is estimated that India had the highest share of young working population (15-30 years) compared to major developed and developing countries with the share of 26%. Crisil Intelligence expects that the large share of the working population, coupled with rapid urbanisation and rising affluence, will propel growth in the economy.

India's demographic division (share of different age groups in population)



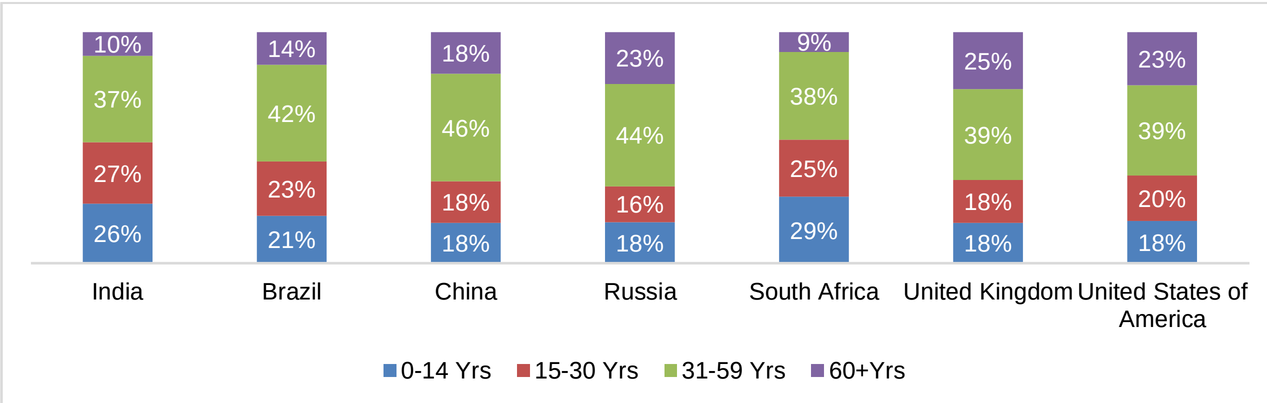
Note: P – Projected, E – Estimates
Source: Census of India 2011, Ministry of Health and Family Welfare, Crisil Intelligence

India has the highest young population (15-30 years) with 375 million individuals, among the major economies (CY2021)

Country	0-14 Yrs	15-30 Yrs	31-59 Yrs	60+ Yrs
India	361.6	375.3	524.8	145.8
Brazil	44.0	50.0	89.9	30.5
China	251.9	253.5	662.7	257.7
Russia	25.7	22.7	63.9	32.8
South Africa	17.0	14.7	22.5	5.2
United Kingdom	11.9	12.2	26.5	16.7
United States of America	61.5	67.0	131.0	77.5

Note: Values in millions. Source: Census 2011, World Urbanization Prospects: The 2018 Revision (UN)

India has the highest share of young population (15-30 years) among the major economies (CY2021)

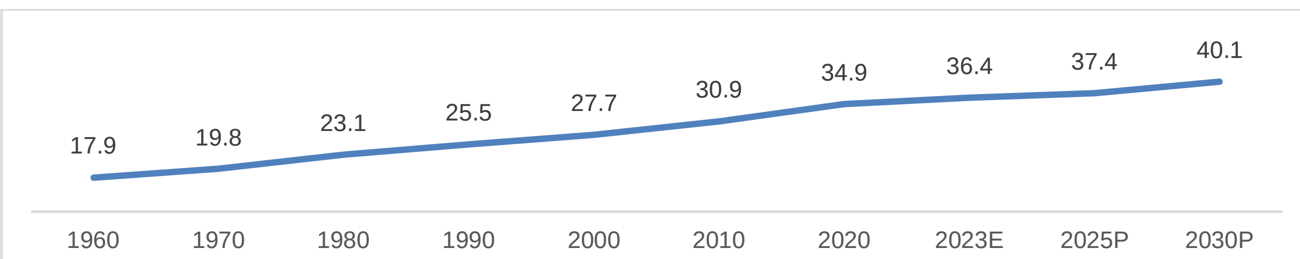


Source: Census 2011, World Urbanization Prospects: The 2018 Revision (UN)

Rising Urbanisation

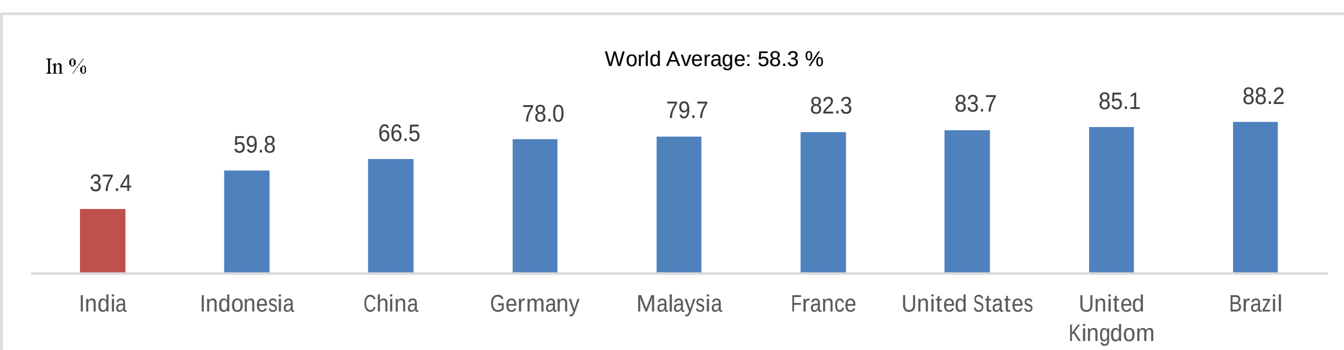
Urbanisation is one of India's most important economic growth drivers. It is expected to drive substantial investments in infrastructure development, which in turn is expected to create jobs, develop modern consumer services, and increase the ability to mobilise savings. India's urban population has been rising consistently over the decades. As per the 2018 revision of World Urbanization Prospects, the urban population was estimated at 36% of India's total population in 2023. According to the World Urbanization Prospects, the percentage of the population residing in urban areas in India is expected to increase to 40.1% by 2030.

Urban population as a percentage of total population (%)



Note: E- Estimated, P – Projected, Figures in percentage, Source: Census 2011, World Urbanization Prospects: The 2018 Revision (UN)

Urban population as a percentage of total population in % (CY 2025P)



Source: United Nations World Urbanization Prospects: The 2018 Revision (UN)

Increasing per capita GDP

In FY25, India's per capita net national income at constant prices stood at 5.5%. According to IMF projections, India's per capita income (at constant prices) is anticipated to grow at a real CAGR of 5.6% from FY25 to FY27. The GDP per capita at constant levels rebounded from the impact of COVID-19 in FY21, improving from -6.7% to 8.7% the following fiscal year, and showing a year-on-year growth of 8.2% in FY24. The upward trend in India's GDP per capita indicates a gradual increase in average income levels. As this trend continues, a larger portion of the population, particularly in the emerging middle class, is meeting and exceeding the income threshold needed for necessities such as food, shelter, and essential services. This growing trend is expected to lead to increased savings accumulation, which will contribute to the deepening of the financial sector and foster long-term economic stability.

Increasing per capita GDP

	FY20	FY21	FY22	FY23	FY24	FY25E
Per Capita GDP constant (Rs.000')	108.2	101.0	109.8	116.9	126.5	133.5
Year on year growth (%)	2.6%	-6.7%	8.7%	6.5%	8.2%	5.5%

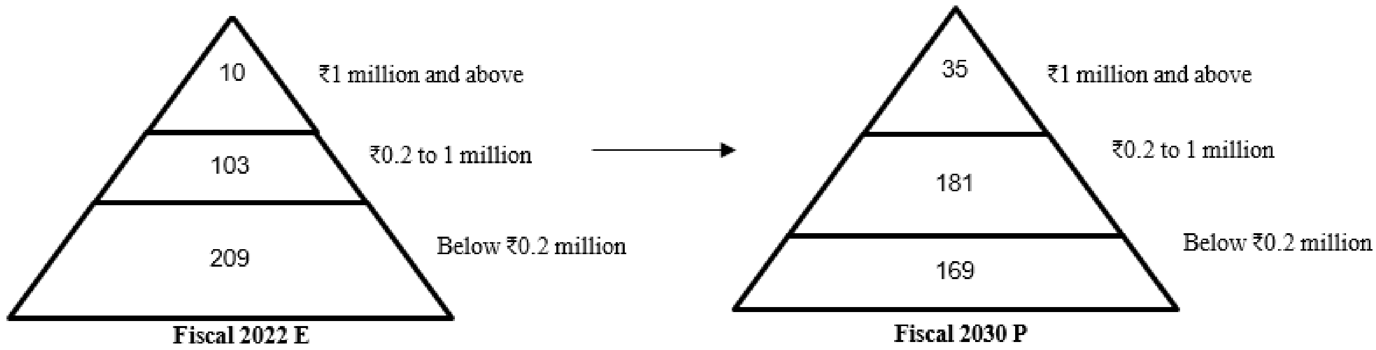
Note: E: estimates, Source: Ministry of Statistics and Program Implementation (MoSPI), International Monetary Fund (IMF), PIB, Crisil Intelligence

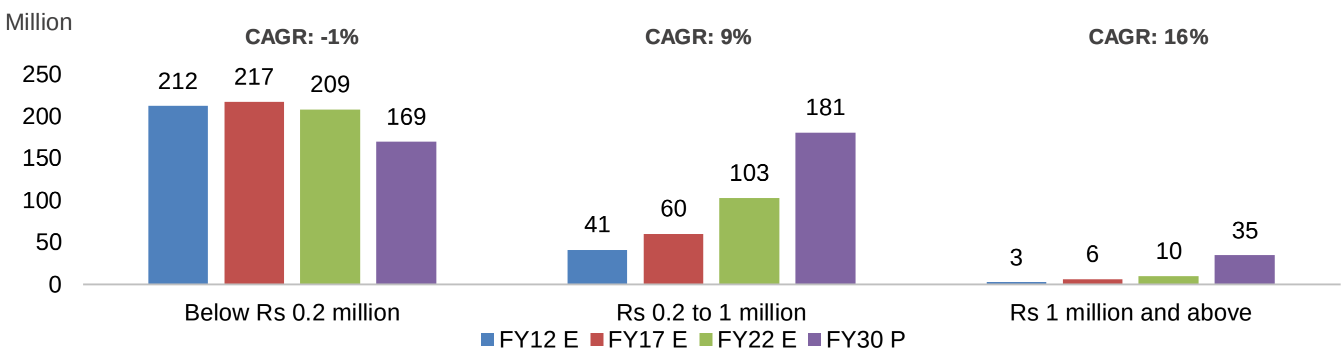
Rising Middle India population to help sustain economic growth

The proportion of "Middle India" (defined as households with annual income of Rs 0.2-1.0 million) has been on the rise over the past decade and is expected to continue increasing with rising GDP and household incomes. Crisil Intelligence estimates there were 103 million middle-income households in India in FY22 and by FY2030, expects it to increase to 181 million households. A large number of households that have entered the middle-income bracket in the past few years are likely to be from semi-urban and rural areas. As per NSS 76th round (2018), 83.3% of households were living in pucca dwelling units compared to 74.6% as per 69th NSS round (2012).

The backbone of India's economy, MSMEs significantly contribute to the country's growth, accounting for approximately 29% of the GDP, 45% of manufacturing output, and providing employment opportunities to a substantial 11 crore people. The growth of MSMEs is crucial in generating employment opportunities for the Indian population. Crisil Intelligence believes that improvement in literacy levels, increasing access to information and awareness, increase in the availability of necessities and improvement in road infrastructure have increased the aspirations of Middle India, which is likely to translate into increased demand for financial products and opportunities for providers of financial services providers.

Middle India households projected to witness CAGR of 9% between FY12 to FY2030





Note: E: Estimated, P: Projected; Source: Crisil Intelligence

Credit penetration is lower in India compared to other countries

In terms of the credit to GDP ratio, India has a low credit penetration compared with other developing countries, such as China, indicating the potential that can be tapped. Similarly, in terms of credit to households as a proportion of GDP, India lags other markets, with retail credit hovering at around 25% of GDP as of Fiscal 2025. As per World Bank, private retail bureau coverage is 63% of total adults in India as of 2019.

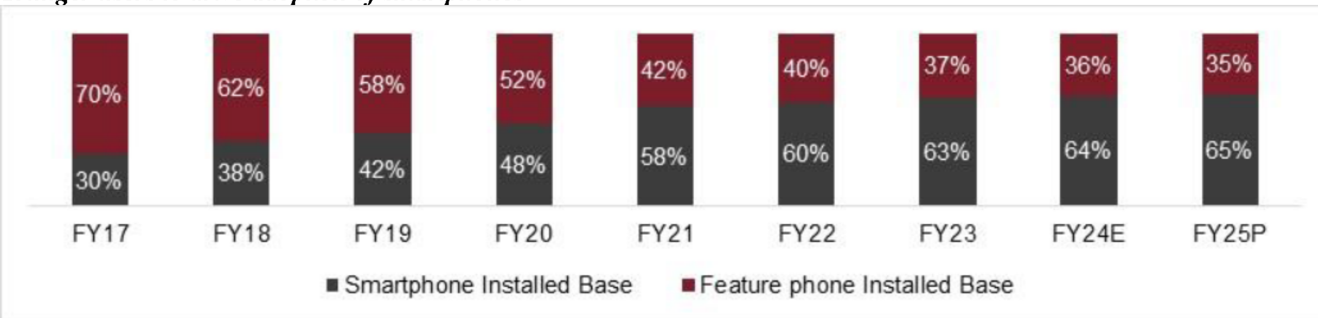
Rural and semi-urban India: Under penetration and untapped market presents a huge opportunity for growth of financiers

Bank credit to metropolitan areas has decreased over the past few years with its share decreasing from 66% as of March 31, 2019, to 59% as of March 31, 2025. Between the same period, credit share has witnessed a marginal rise in rural areas (7% as of Fiscal 2019 to 9% as of Fiscal 2025) and semi-urban areas (12% as of Fiscal 2019 to 14% as of Fiscal 2025). Rural areas, which is estimated to account for 47% of GDP, received just 9% of the overall banking credit as of March 31, 2025, which shows the vast market opportunity for banks and NBFCs to lend in these areas. With increasing focus of government towards financial inclusion, rising financial awareness, increasing smartphone and internet penetration, Crisil Intelligence expects delivery of credit services in rural areas to increase. Further, the usage of alternative data to underwrite customers is also expected to help banks and NBFCs to assess customers and cater to the informal sections of the society in these regions.

Digitisation aided by technology to play pivotal role in growth of economy

Technology is expected to play an important role by progressively reducing the cost of reaching out to smaller markets. India has seen a tremendous rise in fintech adoption in the past few years. Among many initiatives by the government, the Unified Payments Interface (UPI) is playing a pivotal role towards financial inclusion. It provides a single-click digital interface across all system for smartphones linked to bank accounts and facilitates easy transactions using a simple authentication method. The volume of digital transactions has also seen a surge in the past few years, driven by increased adoption of UPI. Apart from the financial services industry, digitisation in other industries like retail will also play an important role in the growth of the economy.

Younger users to drive adoption of smartphones



Note: E: Estimated, P: Projected; Source: Crisil Intelligence

Rise in 4G and 5G penetration and smartphone usage

India had 1,165 million wireless subscribers at the end of Fiscal 2024. The reach of mobile network, internet and electricity is continuously expanding the subscriber footprint to remote areas leading to rising smartphone and internet penetration in India. In Fiscal 2023, 5G was launched which led to conversion of 25 million subscribers to 5G. This shift was facilitated by offering 5G services at the price of 4G data plans, coupled with a surge in data demand and the accessibility of affordable handsets. In Fiscal 2025, Crisil Intelligence expects 5G subscribers to reach 270-280 million since data consumption will increase due to high usage on OTT platforms, in education services, banking services, healthcare, and the gaming industry.

All-India mobile and data subscriber base

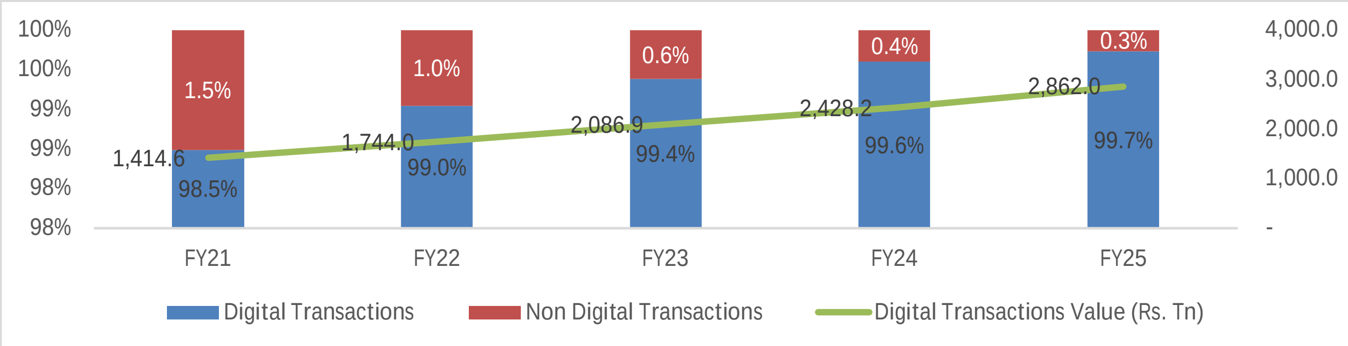
	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025P
Wireless subscribers (million)	1,170	1,183	1,162	1,157	1,181	1,142	1,144	1,165	1,177-1,183
Data subscribers (million)	401	473	615	720	799	814	883	956	989-1,006
Data subscribers as a proportion of wireless subscribers	34%	40%	53%	62%	68%	71%	77%	82%	84%-85%
4G data subscribers (million)	131	287	478	635	719	734	786	707	660-670
4G data subscribers' proportion	33%	61%	78%	88%	90%	90%	89%	74%	67%
5G data subscribers (million)	-	-	-	-	-	-	25	175	270-280

Note: P: Projected, Source: TRAI, Crisil Intelligence

Digital payments have witnessed substantial growth

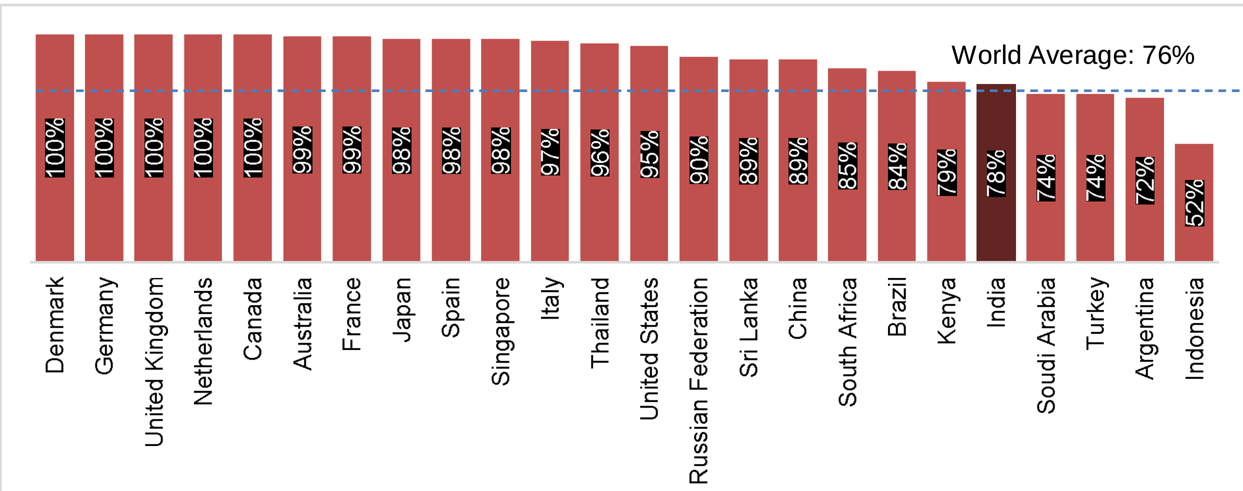
Between FY21 and FY25, the volume of digital payments transactions has increased from 43.7 billion to 222.0 billion, growing at a CAGR of ~50%. During the same period, the value of digital transactions has increased from Rs. 1,414.6 trillion in FY21 to Rs 2,862.0 trillion in FY25. Crisil Intelligence expects the share of mobile banking to increase dramatically over the coming years.

Trend in value and volume of digital payments



Note: Digital Payments include RTGS payments, Credit transfers (AePS, APBS, ECS Cr, IMPS, NACH, NEFT, UPI), Debit Transfers (BHIM, ECS Dr, NACH Dr, NETC), Card Payments (Debit and Credit Cards) and Prepaid Payments Instruments; Source: RBI, Crisil Intelligence

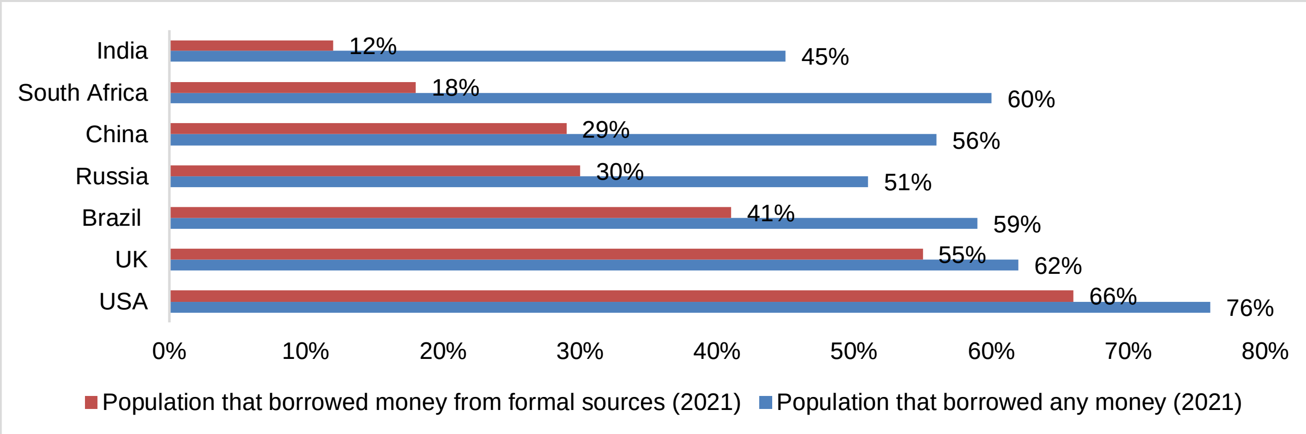
Adult population with a bank account (%) as of CY2021: India vis-à-vis other countries



Notes: 1. Global Findex data for India excludes northeast states, remote islands and selected districts. 2. Account penetration is for the population within the age group of 15+, Source: World Bank – The Global Findex Database 2021, Crisil Intelligence

As per the Global Findex Database 2021, ~54% of the world's 740 million unbanked adults live in only seven countries (India, Bangladesh, China, Indonesia, Egypt, Nigeria and Pakistan), of which almost 31% (230 million) are in India. This shows an immense opportunity for furtherance of financial inclusion.

Only 12% of India's population borrowed money from formal sources (CY2021)

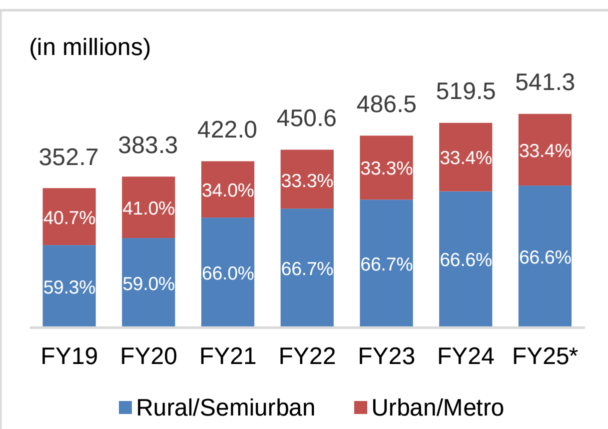


Note: Global Findex data for India excludes northeast states, remote islands and selected districts. 2. Data is for the population within the age group of 15+
Money borrowed from formal sources includes money borrowed from Banks, NBFCs and usage of credit cards.
Source: World Bank – The Global Findex Database 2021, Crisil Intelligence

The two key initiatives launched by the Government to promote financial inclusion are the Pradhan Mantri Jan Dhan Yojana (PMJDY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY). Under the PMJDY, the Government's aim is to ensure that every household in India has a bank account which they can access from anywhere and avail all financial services such as savings and deposit accounts, remittances, credit and insurance affordably. PMJJBY is a one-year life insurance scheme that offers a life cover of ₹0.2 million at a premium of ₹436 per annum per member, which can be renewed every year. The Government has also launched the Pradhan Mantri Suraksha Bima Yojana (PMSBY), an accident insurance policy that offers an accidental death and full disability cover of ₹0.2 million at a premium of ₹20 annually. As per the Government, more than 100 million people have registered for these two social security schemes.

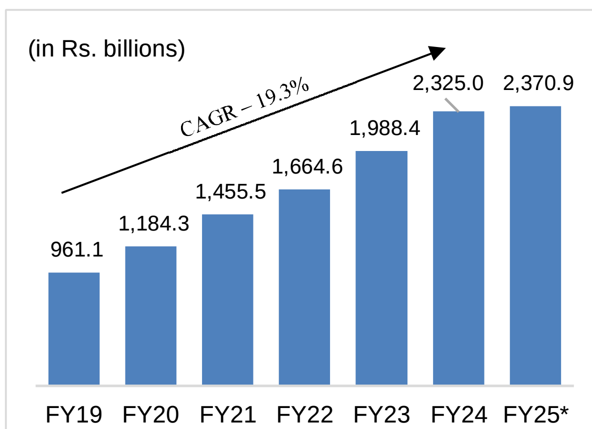
As of 4th December 2024, 541.2 million PMJDY accounts had been opened, of which ~67% were in rural and semi-urban areas, and total deposits of Rs. 2,371 billion. (Source: Pradhan Mantri Jan-Dhan Yojana: Progress Report)

Number of PMJDY accounts



*Note: *FY25 data is till 4th December 2024;*
Source: PMJDY; Crisil Intelligence

Total balance in PMJDY accounts



*Note: *FY25 data is till 4th December 2024;*
Source: PMJDY; Crisil Intelligence

Financial penetration to rise with increase in awareness and access of financial products

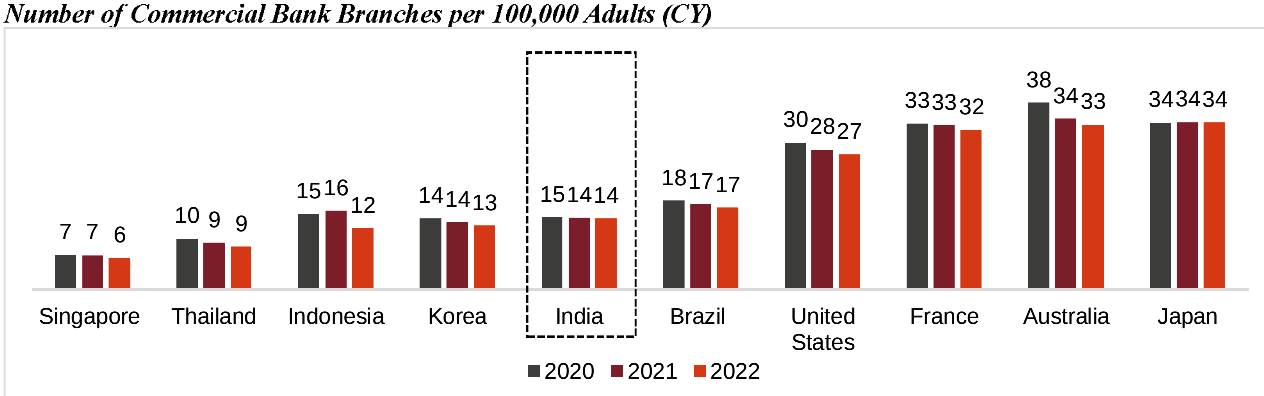
Overall literacy in India was at 77.7% as per the results of NSO survey conducted from July 2017 to June 2018, which is still below the world literacy rate of 86.5%. However, according to the National Financial Literacy and Inclusion Survey (NCFE-FLIS) 2019, only 27% of Indian population is financially literate indicating huge gap and potential for financial services industry. The survey defines financial literacy as a combination of awareness, knowledge, skill, attitude, and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.

Government initiatives like Pradhan Mantri Jan Dhan Yojana, financial literacy programs, and continuous focus on financial inclusion have increased financial literacy, resulting in significant uptick in demand for financial products, particularly in smaller cities over the past few years. Going forward, Crisil Intelligence expects financial penetration to increase on account of increasing financial literacy.

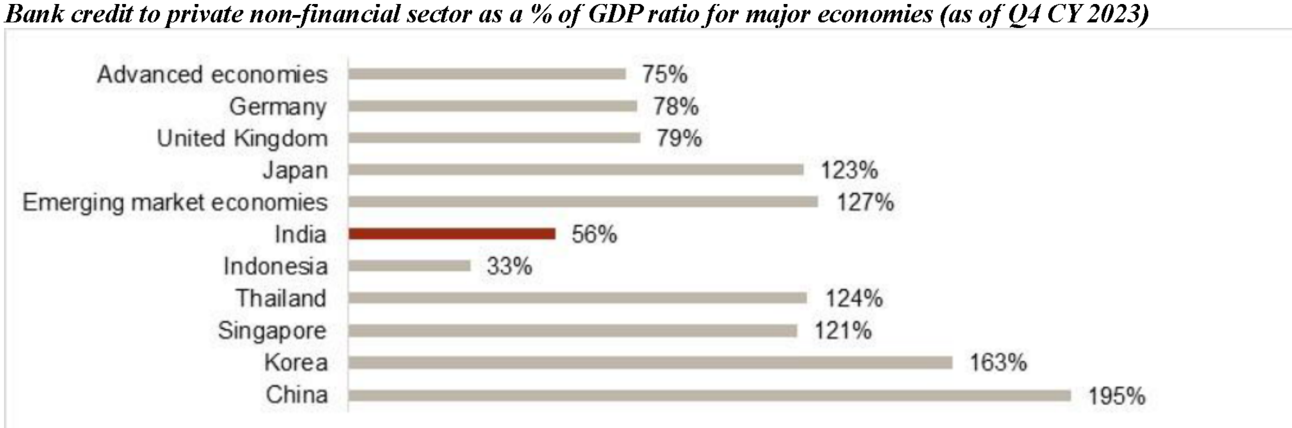
Under-penetration of the Indian banking sector provides opportunities for growth

The Indian banking sector is significantly under-penetrated as observed in the current bank credit-to-GDP ratio of 56% for India as of the fourth quarter of CY 2023. The number of commercial bank branches as well as ATMs in India per 100,00 people, contrast in comparison to other countries. This provides immense opportunities for banks and other financial institutions over the long term.

Number of Commercial Bank Branches per 100,000 Adults (CY)

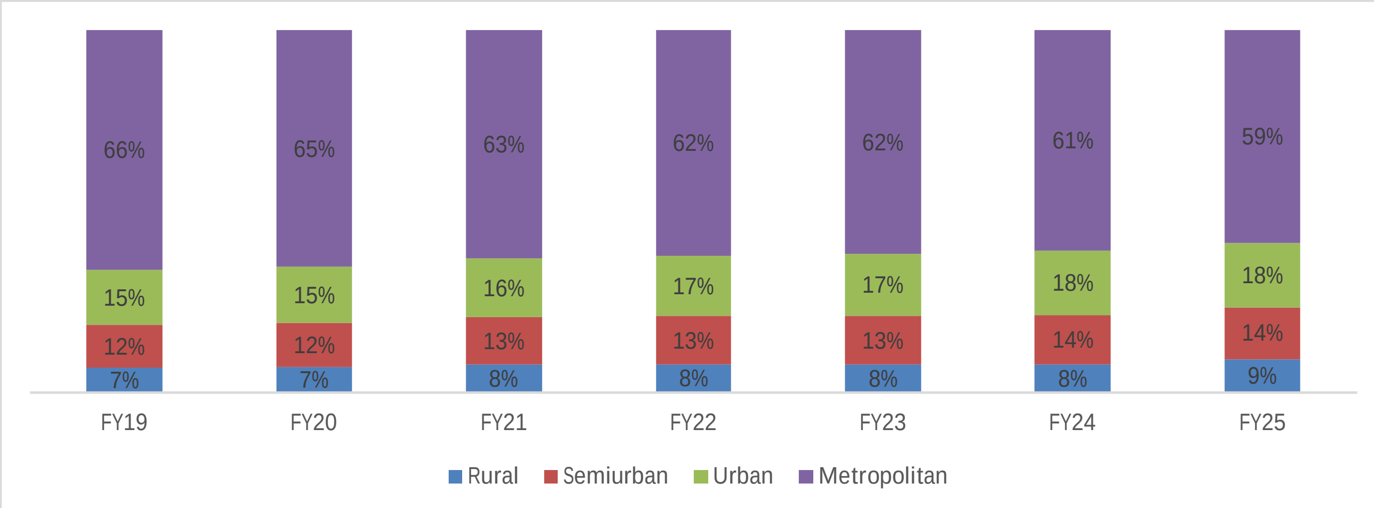


Bank credit to private non-financial sector as a % of GDP ratio for major economies (as of Q4 CY 2023)



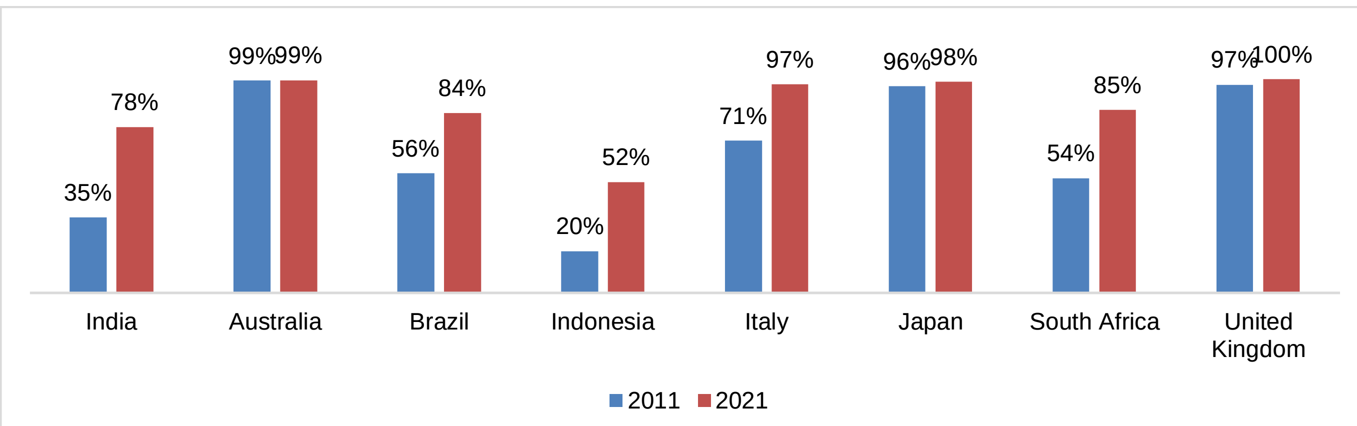
Note: Emerging market economies comprise Argentina, Brazil, Chile, China, Colombia, Czechia, Hong Kong SAR, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Poland, Russia, Saudi Arabia, Singapore, South Africa, Thailand, and Turkey; advanced economies comprise Australia, Canada, Denmark, the euro area, Japan, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, and the United States.
Source: BIS Data, Crisil Intelligence

Share of rural and semi-urban regions in banking credit increased marginally between Fiscal 2019 and Fiscal 2025 (Share of population group-wise banking credit data)



Source: RBI, Crisil Intelligence

Percentage of population above 15 years having an account at bank or another type of financial institutions



Note: percentage of population above 15 yrs having an account at bank or another type of financial institutions, Source: IMF: Financial Access Survey; Crisil Intelligence

Rural economy is becoming structurally far more resilient

According to Census 2011, there are about 640,000 villages in India, which are inhabited by about 893 million people. The rural economy is far more resilient today due to increased spending under PM-Kisan scheme, Mahatma Gandhi National Rural Employment Guarantee Act, 2005 and irrigation programmes. Additionally, schemes such as direct benefit transfer (**DBT**”), PM Ujwala Yojana for cooking gas, PM Awas Yojana for housing, and Ayushman Bharat scheme for healthcare are supporting growth in rural areas. To supplement this, there has been a continuous improvement in rural infrastructure, such as electricity and roads. These government initiatives have led to lesser leakages and higher incomes in the hands of the rural populace, thereby enhancing their ability and willingness to spend on discretionary products and services. The structural changes, combined with a positive macro environment, are expected to improve rural business prospects, provide business opportunities for the banking and financial services sector and drive the long-term growth of the economy.

The government has taken various steps to improve overall financial inclusion:

- **Direct-benefit transfer (DBT):** DBT has been instrumental in the acceleration of financial inclusion since it has helped eliminate human interface and leakages in the system, ensuring timely, accurate and quality services and fund transfers to the beneficiaries. This tool has helped in the disbursal of benefits to a wide population spread geographically through 312 government schemes, such as the Pradhan Mantri Matru Vandana Yojana (PMMVY) for women, Pradhan Mantri Ujjwala Yojana (PMUY), Krishi Unnati Yojana (KUY) or Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) for beneficiary bank accounts held by any gender.

- Aadhaar: It has played a critical role in promoting financial inclusion in India by enabling easy and efficient identification of individuals and reducing the need for physical documents. Aadhaar has been used for various initiatives, such as PMJDY, DBT, mobile wallets, and e-KYC, to improve financial access.

- Mobile banking: The government has promoted mobile banking to make financial services accessible to people who are unable to access physical bank branches. Mobile banking has increased financial inclusion in rural areas. Some of the mobile banking initiatives for financial inclusion are United Payments Interface (UPI), mobile wallets, Jan Dhan Yojana Mobile App, and business correspondent (BC) model.

- **Financial literacy programmes:** The government has launched various financial literacy programmes to educate people about the benefits of financial planning and management. These programmes aim to improve financial literacy among the marginalised sections of society and empower them to make informed financial decisions. The government and financial institutions have launched various financial literacy programmes (National Centre for Financial Education, Swabhimaan, etc.) to improve financial literacy among the general public, especially in rural areas.

- **Kisan Credit Card (KCC):** The KCC scheme aims at providing adequate and timely credit support to farmers for their agricultural activities at various stages of farming. According to the Ministry of Finance, Department of Financial Services, the total number of operative KCC accounts stood at 7.75 crores, with total outstanding amount of ₹9.81 lakh crores in FY 2024.

- **National Pension Scheme (NPS):** Regulated by the Pension Fund Regulatory and Development Authority (PFRDA), NPS is mandatory for Central government employees and voluntary for corporates and all citizens (aged 18-65 years) with matching contributions by the employer. As of October 31, 2024, National Pension System Trust reported assets under management ("**AUM**") of ₹ 12.97 Trillion and a subscriber base of 18.9 million.

- **Priority-sector lending:** PSL is an important policy tool used by the RBI to promote financial inclusion in India. The PSL requirement mandates banks to allocate a specified percentage (40% in case of scheduled commercial banks and 75% for regional rural banks and small finance banks) of their lending portfolio to priority sectors, such as agriculture; MSMEs; education; housing; and other weaker sections of society. Lending to such priority sectors not only increases credit access to underserved sectors but also leads to higher economic growth and promotes inclusive development. It also encourages banks to develop innovative products and services specifically for priority sectors. As of Fiscal 2024, bank credit to PSL stood at ₹59.1 trillion (which is 45.1% of adjusted net bank credit), up from ₹50.2 trillion from Fiscal 2023. (provisional amounts from the RBI's annual report).

  Priority sector lending ensures credit flow to underserved segments of the population through banks. PSL also encourages bridging the gap between rural and urban credit and hence lower regional imbalances. PSL is also used by the government to ensure that credit is given to sectors which can help the country in the long term. PSL mandates banks to lend to MSMEs, which ultimately adds to the overall manufacturing output of the country.

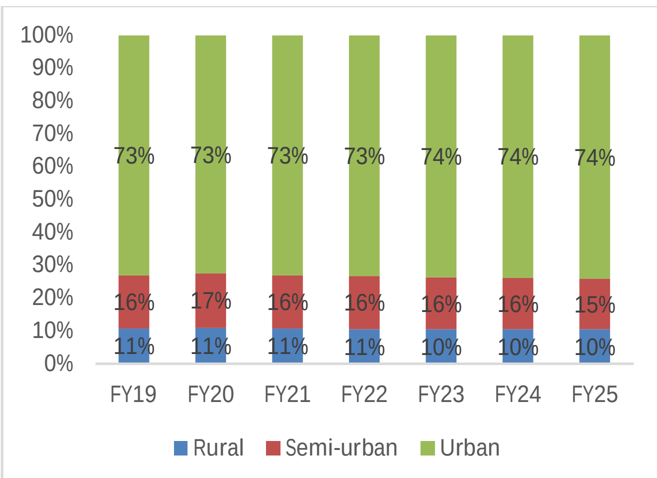
- **Small Saving Schemes**: Sukanya Samridhi Yojana is a savings scheme designed by the government especially for female children. Parents of a female child can save for their education and marriage purposes through this investment scheme. The scheme was launched as a part of the Beti Bachao, Beti Padhao campaign. As of December 2023, 3.2 crore accounts were active as part of the scheme. Mahila Samman Savings Certificate was launched as a part of Union Budget 2023-2024 through which women of any age could open an account with a minimum deposit of ₹1,000 and maximum deposit of ₹2,00,000 provided with a facility of partial withdrawal. The interest rate for the accounts was declared at 7.5% p.a., which will be compounded quarterly. Other small saving schemes available include Kisan Vikas Patra.

Rural India accounts for 47% of GDP, but only 10% of deposits and 9% of credit

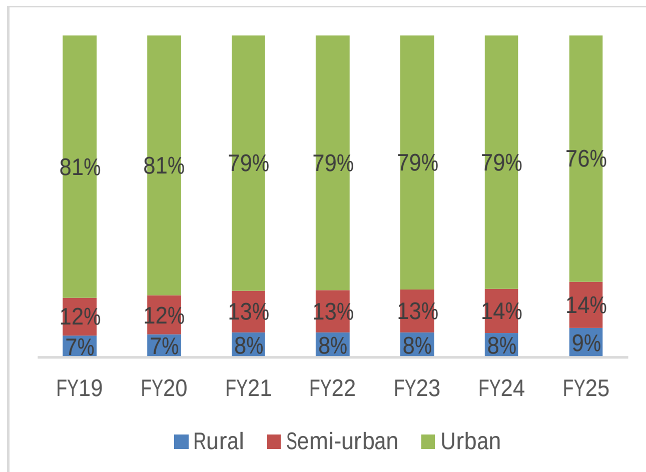
Rural India has a crucial role to play, as 65% of the population resides in rural areas, as per 2021 data from the Economic Survey (January 2023) and as per the Census data of 2011, there are over 6.4 lakh villages in India. As per Crisil Intelligence estimates, about 47% of India's GDP comes from rural areas; however, their share of bank penetration is abysmally low at just 10% of total banking deposits and 9% of total banking credit as of March 2025. Lack of bank infrastructure, low level of financial literacy and investment habits, along with lack of formal identification, are some of the reasons for low penetration.

Share of bank credit and deposits shows low penetration in rural areas

Population group-wise share of deposit



Population group-wise share of credit



Note: Urban includes data for urban and metropolitan areas, Above data represents indicators for scheduled commercial banks in India, E: Estimated.
Source: RBI; Crisil Intelligence

OVERVIEW AND MARKET LANDSCAPE OF NBFC SECTOR IN INDIA

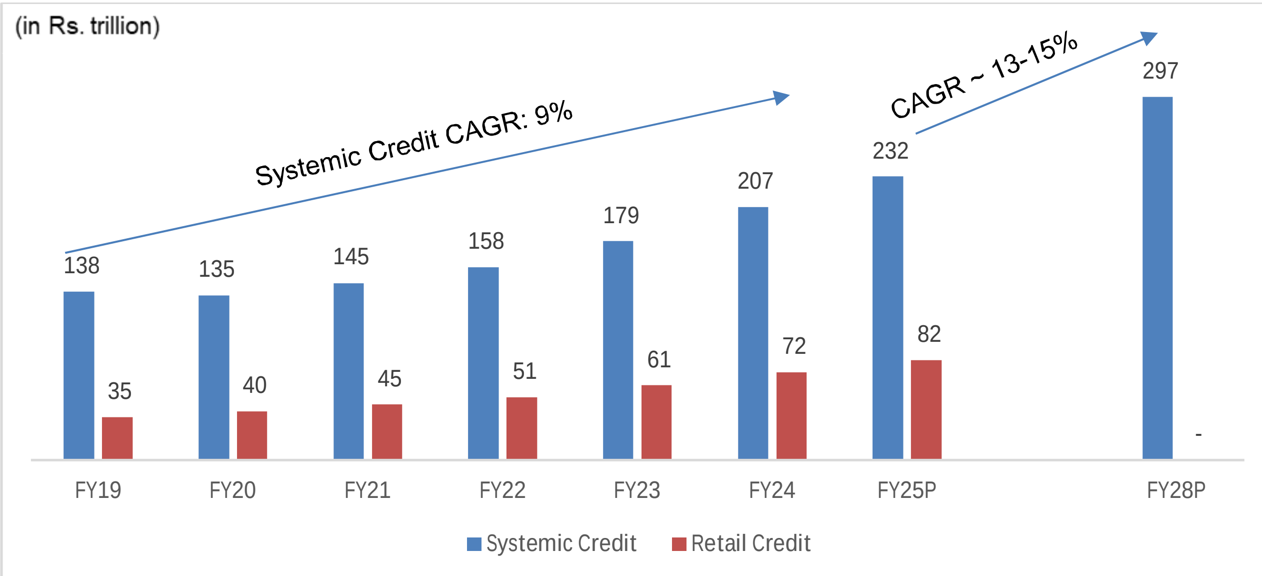
Systemic Credit

Corporate credit determines the growth in overall credit as it accounts for nearly two-third of systemic credit. The slowdown in economic activity, coupled with heightened risk aversion among lenders, tightened the overall credit growth to approximately 6.3% in Fiscal 2021. In Fiscal 2022, systemic credit growth picked up steam despite the second wave of COVID-19, hurting economic growth in the first quarter of the fiscal. Retail credit has been a strong driving force behind the growth in overall credit. Retail credit witnessed a growth of 9% year-on-year during Fiscal 2021 and 13% during Fiscal 2022, while non-retail credit grew at a slower pace of 3% and 9% during Fiscal 2021 and Fiscal 2022.

The systemic credit grew at 10.5% year-on-year in Fiscal 2022 to reach approximately ₹161 trillion. The growth was mainly driven by the budgetary push towards investments, pick-up in private investment, and business activities. In Fiscal 2023, systemic credit showed strong growth at 12.8% year-on-year on back of pent-up retail demand. In Fiscal 2024, credit growth was healthy at 14.1% year-on-year on the back of disbursements to the retail segment, resilient demand for home and vehicle loans and supported by the services segment with healthy demand from NBFC's and trade segments.

Corporate credit determines the growth in overall credit as it accounts for nearly two-third of systemic credit. Systemic credit in India grew at a 6-year CAGR of 9% over fiscals 2019 and 2025. Retail credit continues to lead the systemic credit growth in fiscal 2024, supported by the focused approach of banks and NBFCs in increasing the retail portfolio. Going ahead, Crisil Intelligence projects systemic credit to grow at 13%-15% CAGR between FY25 and FY28.

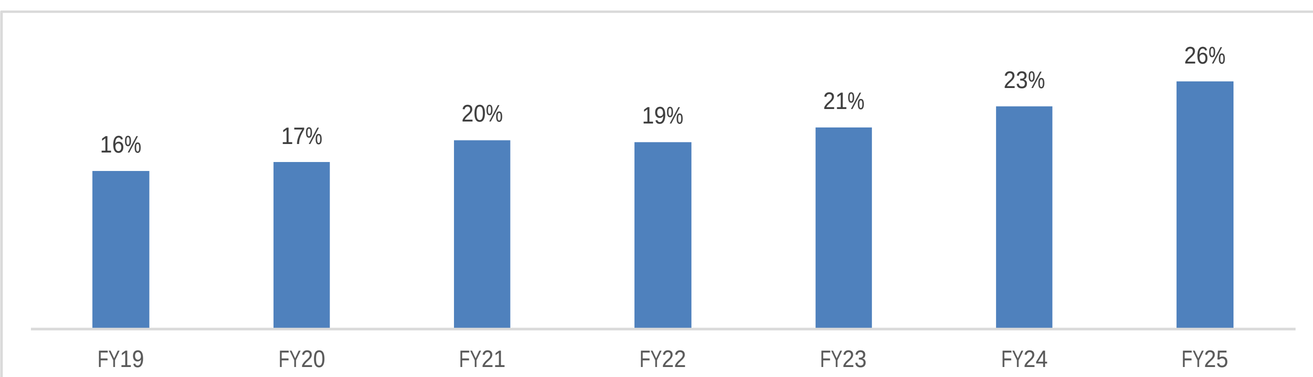
Systemic credit to grow by 13-15% between FY2025 and FY2028



Note: E: Estimated, P: Projected; systemic credit includes domestic banking credit (after deduction of bank lending to NBFC), NBFC credit, commercial papers, external borrowings, corporate bonds excluding those issued by banks and NBFCs; Source: RBI, company reports, Crisil Intelligence

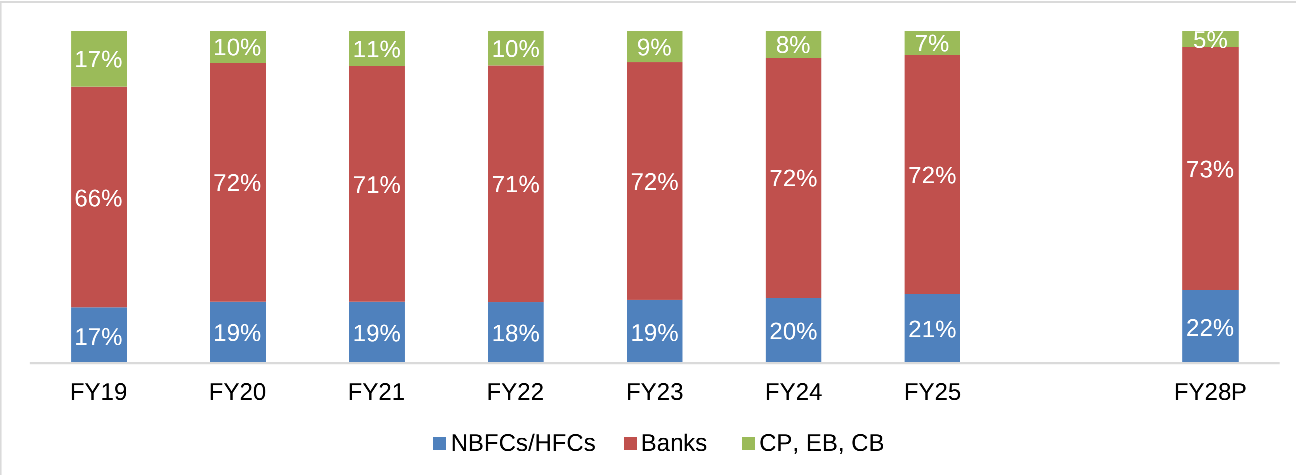
In terms of market share, as of FY25 NBFCs hold market share of ~21% whereas banks hold market share of ~72% and it is expected that NBFCs share in overall systemic credit to increase to 22% by FY28.

NBFC Credit to Real GDP (%)



Source: Crisil Intelligence

Share of NBFC Credit in overall Systemic credit to reach 22% by FY28P



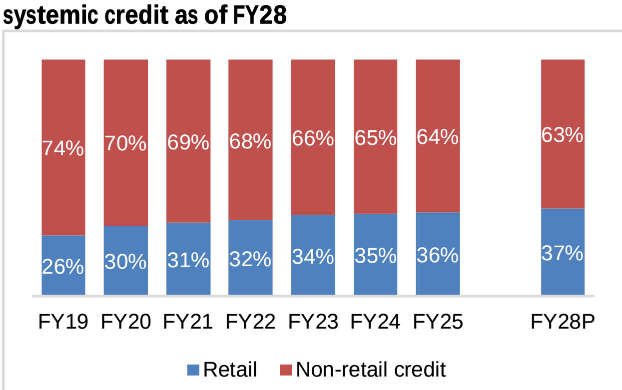
Note: E: Estimated, P: Projected; Systemic credit includes domestic banking credit, NBFC credit, commercial papers, external borrowings, corporate bonds excluding those issued by Banks and NBFC; Source: RBI, Company Reports, Crisil Intelligence

Over the past six fiscal years, banks have trailed NBFCs in terms of credit growth, except for fiscal 2022, when banks showed a steeper recovery post-pandemic disruption, growing at 9.6% compared to NBFCs' 8.5% growth. This slower recovery for NBFCs was attributed to funding challenges due to higher gross NPAs. Despite this, NBFCs gained market share over banks, with a CAGR growth of ~13.9% between fiscal 2020-25, compared to banks' credit growth of ~11.4% during the same period.

Retail credit growth is projected to grow on a strong footing, expected to witness a CAGR of 14-16% between FY25 and FY28

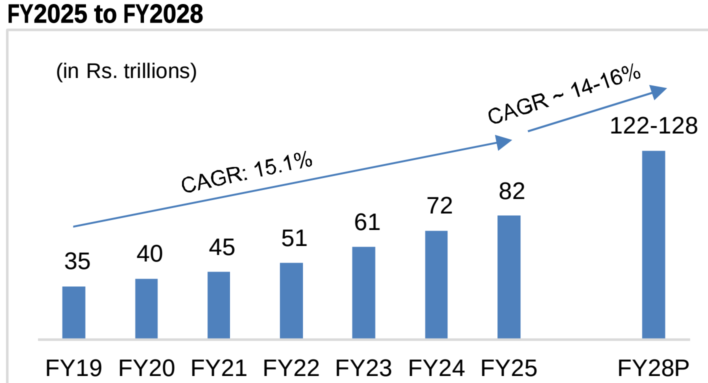
The retail credit including small ticket loans for asset classes such as Housing finance, Vehicle Financing, Gold Loans, Education Loans, Consumer Durables, Personal loans, credit cards and microfinance, in India stood at Rs. 82 trillion, as of FY25 which rapidly grew at a CAGR of 15.1% between FY19 and FY25. Retail credit grew at 14% in FY25 supported by steady demand in underlying assets like housing, auto and growth in credit card and personal loans growth driven by consumption. The Indian retail credit market has grown at a strong pace over the last few years and is expected to grow further at 14-16% between FY25 and FY28. Moreover, the increasing demand and positive sentiments in the Indian retail credit market, presents an opportunity for both banks and NBFCs to broaden their investor base

Retail segment is projected to account for 37% of overall systemic credit as of FY28



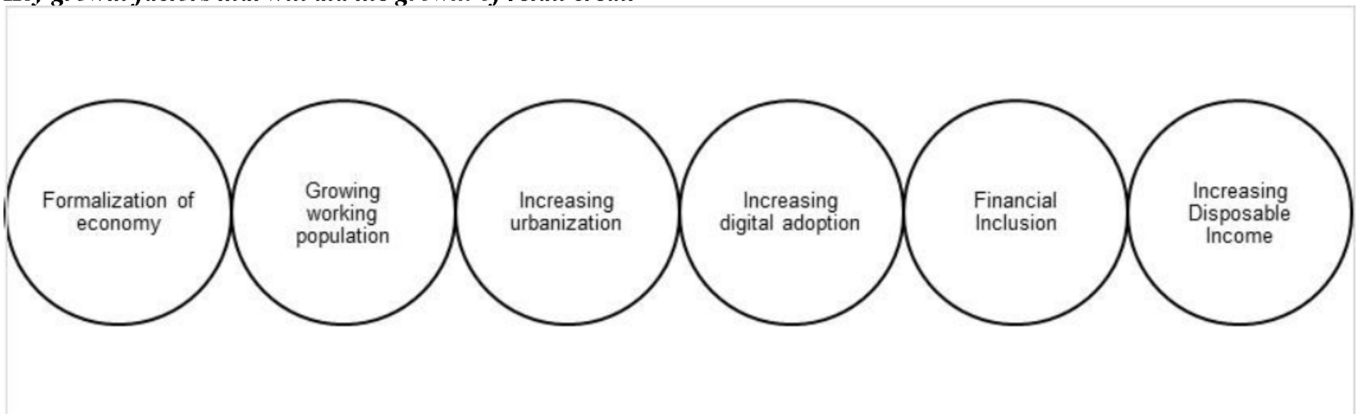
Note: E: Estimated, P: Projected. The above percentages are calculated on total systemic credit
Source: RBI, Crisil Intelligence

Retail credit growth is projected to grow on a strong footing from FY2025 to FY2028



Note: E: Estimated, P: Projected
Source: RBI, Crisil Intelligence

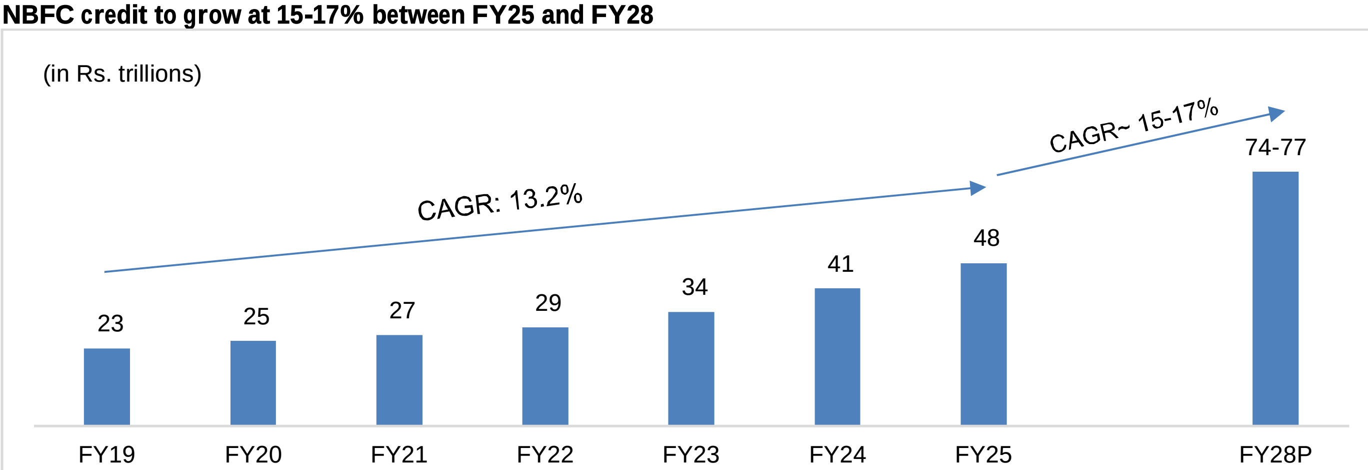
Key growth factors that will aid the growth of retail credit



NBFC Credit to grow faster than systemic credit

The credit growth of NBFCs which has trended above India's GDP growth historically, is expected to continue to rise at a faster pace. NBFCs have shown remarkable resilience and gained importance in the financial sector ecosystem, growing from less than Rs 2 trillion AUM at the turn of the century to Rs. 48 trillion at the end of FY25. During FY19 to FY25, NBFC credit is estimated to have witnessed a growth at CAGR of 13.2%. NBFCs AUM as of FY19 was approximately Rs. 23 trillion which grew at a 6 year CAGR of 13.2% to Rs. 48 trillion as of FY25. Rapid revival in the economy is expected to drive consumer demand in FY26, leading to healthy growth in NBFCs.

NBFC credit to grow at 15-17% between FY25 and FY28



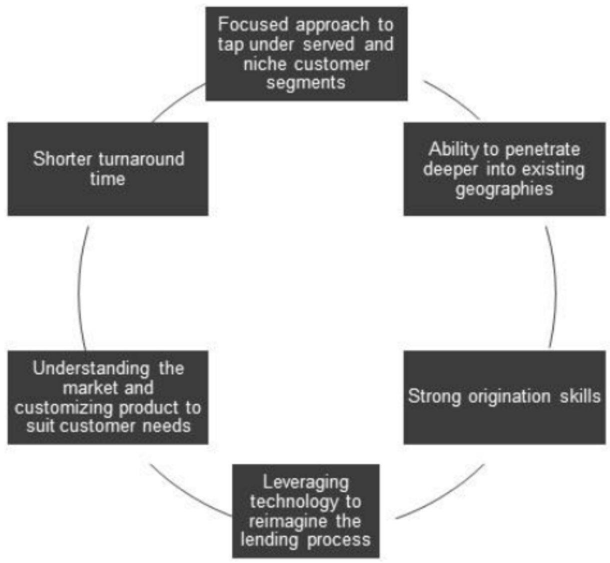
Note: P = Projected, E: Estimated; HDFC is not considered while calculating overall NBFC Credit, Source: RBI, Company reports, Crisil Intelligence

Going forward, Crisil Intelligence expects NBFC credit to grow at 15-17% between FY25 and FY28 driven by growth across retail, MSME and corporate segments continuing to be the primary drivers.

NBFC's share in systemic credit is estimated to have increased from 12% in FY08 to 13% in FY14 to 21% in FY25. Overall, consolidation in certain corporate groups and other corporate activities indicates buoyancy in the NBFC space and expectations of healthy credit growth.

Crisil Intelligence believes that NBFCs will remain a force to reckon within the Indian credit landscape, given their inherent strength of providing last-mile funding and catering to customer segments that are less in focus by the Banks. Going forward, NBFCs are expected to continue to gain market share over other lenders due to their ability to provide flexible lending solutions and tailored services, focused approach to tap under-served and niche customer segments, ability to penetrate deeper into geographies, leveraging technology to reimagine the lending process, strong origination skills and shorter turnaround time.

Growth of NBFCs reflects the customer value proposition offered by them



Source: Crisil Intelligence

With high focus on retail loans, NBFCs are driving financial inclusion

While banks are the primary institutions for banking in India, retail loan portfolio forms only 36% of the overall banking credit as of FY25. Other focus areas for banks are wholesale lending to large corporates, credit to services sector and agriculture sector. Lower presence of banks in the retail space has created an opportunity for NBFCs to penetrate the segment which has also led to greater financial inclusion as NBFCs also cater to riskier customer profiles with lower income. Compared to that of banks, NBFC credit to retail segment forms 48% of its portfolio as of FY2024 indicating larger focus on retail customers. Rural areas, presents vast market opportunity for NBFCs. NBFCs have played a major role in meeting this need, complementing banks and other financial institutions. NBFCs help fill gaps in the availability of financial services with respect to products as well as customer and geographic segments. A strong linkage at the grassroots level makes them a critical cog in the financial machine. They cater to the unbanked and underbanked masses in rural and semi-urban India and lend to the informal sector and people without credit histories, thereby enabling the government and regulators to realize the mission of financial inclusion.

The NBFC sector has, over the years, evolved considerably in terms of size, operations, technological sophistication, and entry into newer areas of financial services and products. The number of NBFCs as well as the size of the sector have grown significantly, with several players with heterogeneous business models starting operations. The increasing penetration of neo-banking, digital authentication, and mobile phone usage as well as mobile internet has resulted in the modularization of financial services, particularly credit. Overall NBFC credit during FY 2019 to FY 2025, is estimated to have witnessed a CAGR of ~13.2% which was majorly led by retail segment which is estimated to have witnessed a CAGR of ~15.4%, while NBFC non-retail credit is estimated to have witnessed a growth of ~11.5% during the same time period.

MSME, Housing and Auto Financing contributed ~51% to overall NBFC credit in FY2025

In fiscal 2025, the credit growth of NBFCs is estimated to have slowed to 18%, compared to 21% recorded in previous fiscal, mainly due to slowdown in unsecured loans, including microfinance, personal loans and consumer durables. The slowdown in unsecured loans can be attributed to its rapid expansion over the past few fiscals and overleveraging concerns which can impact asset quality. RBI intervened in November 2023 to slow down unsecured retail loan growth by tightening capital norms.

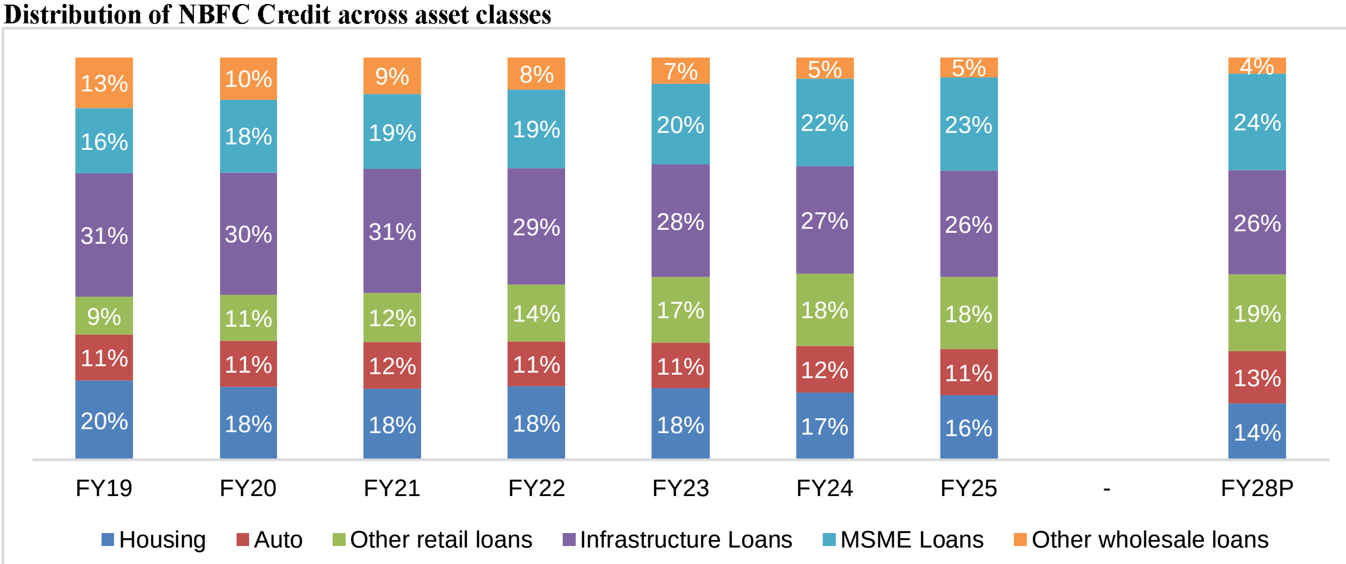
Though infrastructure accounts for the highest share in NBFC credit (26%) as of FY2025, its share in the overall NBFC credit outstanding has come down over the past years from 31% in FY2019. Retail and MSME segments are expected to experience higher growth in the upcoming fiscals. MSME credit accounted for 23% share as of FY2025, witnessing a rise in its market share from 16% in FY2019. Housing and auto segment constitute ~16% and ~11% share in overall NBFC credit as of FY2025.

In fiscal 2025, the retail segment's share in the lending mix is estimated to decline marginally, while the wholesale segment's share is expected to increase. This trend is likely to continue into fiscal 2026, with the share of both segments remaining steady.

The retail loan growth rate is expected to increase moderately to 17-18% in fiscal 2026, driven by growth in housing, vehicle, and consumer durable loans. However, NBFCs are expected to maintain a cautious approach to unsecured lending due to visible stress in the microfinance and personal loan segments. The growth of gold loans is expected to normalize after the exceptional growth recorded in fiscal 2025.

In contrast, the wholesale segment's growth rate is projected to decline slightly, mainly due to an expected slowdown in infrastructure disbursements. Nevertheless, MSME and corporate and real estate loans are expected to continue to see an uptick.

Distribution of NBFC Credit across asset classes



Note: Other retail loans include gold loans, microfinance loans, personal loans, consumer durable loans, education loans, Other wholesale loans include wholesale loan and construction equipment loan;
Source: Company reports, Crisil Intelligence

Growth of asset classes

Asset class (₹ trillion)	Fiscal 2025E portfolio outstanding (₹ trillion)	Share of NBFCs/HFCs/ NBFC-MFIs	Overall portfolio CAGR (Fiscal 2020-Fiscal 2025E)	NBFCs portfolio CAGR (Fiscal 2020-Fiscal 2025E)	Growth Fiscal 2025-Fiscal 2026 for overall portfolio	Growth Fiscal 2025-Fiscal 2026 for NBFCs
MSME Loans	**42.3**	**27%**	**18.2%**	**19.6%**	**18-20%**	**27-29%**
Housing loans	**38.1**	**20%**	**13.1%**	**11.3%**	**13-14%**	**15-16%**
Auto Loans	12.0	46%	14%	14%	15-16%	16-17%
Personal loans	**14.6**	24%	21%	30%	16-18%	22-24%
Gold loans	**12.4**	11%	37%	54%	19-21%	17-18%
Microfinance loans	**3.8**	51%	10%	16%	8-10%	8-10%
Consumer durables	**0.8**	68%	17%	21%	18-20%	20-22%

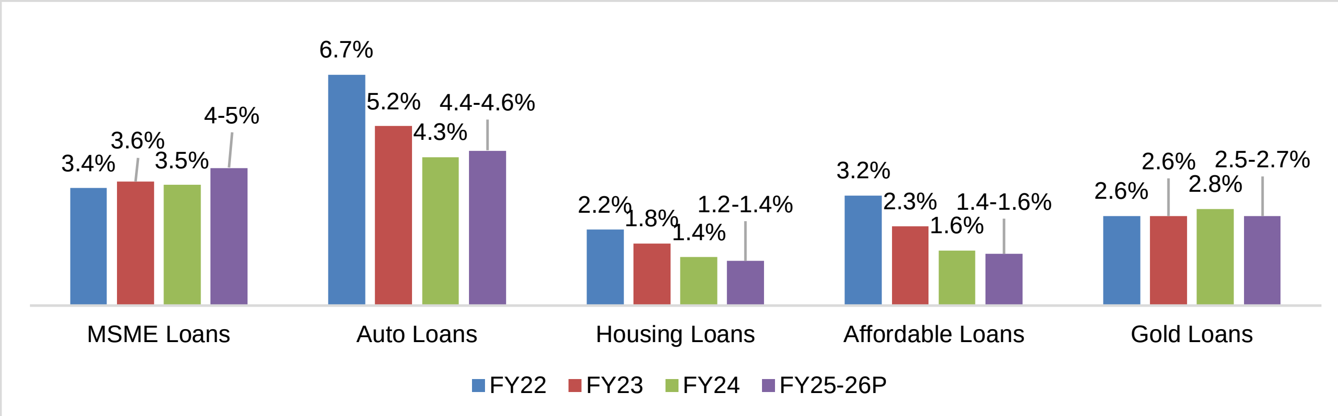
Source: RBI, NHB, MFIN, CRIF and Crisil Intelligence estimates

ROA Tree for NBFCs across asset classes

Asset Class	Financial Metric	Fiscal 2024E	Fiscal 2025E	Fiscal 2026P
MSME Loans	Interest income	16%	16.1%	15-16%
	Interest expense	6.3%	6.0%	5-6%
	Opex	3.4-3.6%	3.4-3.6%	3.4-3.6%
	Credit Cost	1.7%	1.5%	1.7-2.1%
	ROA	3.5%	3.4%	3.4-3.6%
Auto Loans	Interest income	12.6%	12.7%	12.5-12.6%
	Interest expense	6.4%	6.6%	6.3-6.4%
	Opex	2.0-2.2%	2.0-2.2%	2.0-2.2%
	Credit Cost	1.9%	1.9%	1.8-1.9%
	ROA	2.5%	2.5%	2.6-2.7%
Housing Loans	Interest income	10%	9.8-9.9%	9.6-9.7%
	Interest expense	6.%	6.3-6.4%	6.2-6.3%
	Opex	0.8-1.0%	0.8-1.0%	0.8-1.0%
	Credit Cost	0.5%	0.1-0.2%	0.2-0.3%
	ROA	2.3%	2.2-2.3%	2.0-2.1%
Affordable Housing Loans	Interest income	11.1%	11.0-11.1%	10.8-10.9%
	Interest expense	6.0%	6.1-6.2%	6.0-6.1%
	Opex	1.7-1.9%	1.9-2.1%	1.9-2.1%
	Credit Cost	0.2%	0.3-0.4%	0.2-0.3%
	ROA	3.0%	2.8-2.9%	2.6-2.7%
Personal Loans	Interest income	16.6-17.0%	16.6-17.0%	16.5-17.0%
	Interest expense	6.6-6.8%	6.7-6.9%	6.7-7.0%
	Opex	4.2-4.4%	4.2-4.4%	4.2-4.4%
	Credit Cost	2.8-3.2%	2.6-2.8%	2.6-2.8%
	ROA	2.8-3.2%	2.9-3.3%	2.9-3.3%

Source: Crisil Intelligence, Company Documents, Note: Ratios on average total assets

GNPAs for NBFCs across asset classes



Source: Crisil Intelligence, Company Documents, Note: Ratios on average total assets

MSME LOANS

Overview of MSME sector in India

The MSME (Micro Small and Medium Enterprises) sector has experienced remarkable growth and transformation, becoming a cornerstone of India's economy. The estimated number of MSMEs in India is around 70 million as of Fiscal 2022. MSMEs in India are significantly contributing to the economy by generating substantial employment opportunities at a lower capital investment compared to larger industries. Additionally, they facilitate the industrialisation of rural and underdeveloped regions, thereby mitigating regional disparities and promoting a more equitable distribution of national income and wealth. The MSME sector contributes to India's socio-economic development by providing huge employment opportunities in rural and backward areas and reducing regional imbalances.

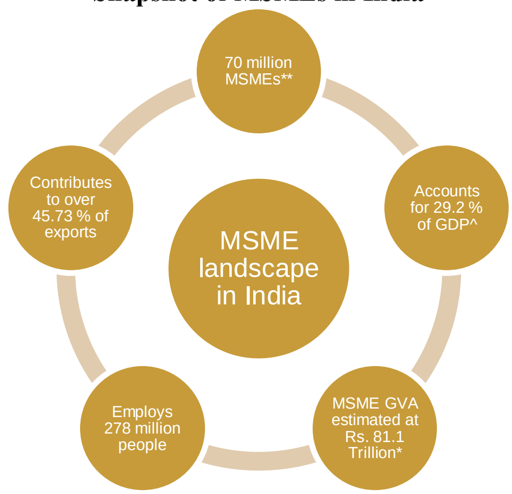
The Government expects that MSMEs' contribution to GDP to increase from 29.2% in Fiscal 2022 to 40-50% by Fiscal 2030. As of Fiscal 2024, MSME's contribute a 45.73% share of India's exports. Further, as on October 2024, the total employment recorded on the UDYAM registration portal (since inception July 1, 2020, to June 8, 2025) is 278.2 million.

MSME segment accounts for about around 29% of Indian GDP

Rs trillion	Total MSME GVA	Growth (%)	Total GVA	Share of MSME in GVA (%)	All India GDP	Share of MSME in All India GDP (in %)	Number of MSMEs (in millions) *
Fiscal 2016	41	11.0%	126	32.3%	138	29.7%	63.5
Fiscal 2017	45	10.9%	140	32.2%	154	29.2%	65.5
Fiscal 2018	51	13.0%	155	32.8%	171	29.8%	66.5
Fiscal 2019	57	12.9%	172	33.5%	190	30.0%	68.5
Fiscal 2020	61^	7.6%	184	33.4%	201	30.5%	NA
Fiscal 2021	54^	-12.0%	182	29.7%	198	27.2%	NA
Fiscal 2022	69^	27.1%	214	32.0%	235	29.2%	70.0
Fiscal 2023	81^	8%	246	30.1%	269	NA	NA

Note: (*) – Estimated, All India GDP as of current prices, (^) Calculated numbers, Source: MSME Ministry Annual reports, Role of MSME Sector in India-Ministry of Micro, Small & Medium Enterprises, Source: https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1946375, Crisil Intelligence

Snapshot of MSMEs in India



*Note: *Data as of Fiscal 2023,^ Data as of Fiscal 2022 ** The numbers are estimated.*
Source: MSME Ministry Annual report for Fiscal 2023, MSME Ministry Annual report for Fiscal 2024, Ministry of Micro, Small & Medium Enterprises (Source: https://www.pib.gov.in/PressNoteDetails.aspx?NoteId=152063&ModuleId=3&reg=3&lang=1), Crisil Intelligence

The RBI has adopted the definition of MSMEs in line with the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. This definition is based on investments in plant and machinery in the manufacturing and services sectors. To bring in more enterprises under the ambit of MSMEs and widen the definition of MSMEs considering inflation over the past few years, in June 2020, the Government revised the MSME investment limit across each category and introduced an alternate and additional criterion of turnover buckets to the definition. It further removed the difference between the definition of manufacturing based and services based MSMEs.

In June 2021, the Indian government has included retailers and wholesalers under the MSMEs definition to extend the benefits of priority sector lending to traders as well. The move is structurally positive from a long-term perspective, as it will enable entities operating in the segment to register on Government's Udyam portal, participate in government tenders and avail financing options/benefits available to the category.

New MSME definition removed distinction between manufacturing and services

Old MSME classification			
Criteria: Investment in plant and machinery or equipment			
Classification	**Micro**	**Small**	**Medium**
Manufacturing enterprises	Investment < ₹2.5 million	Investment < ₹50 million	Investment < ₹100 million
Services enterprises	Investment < ₹1 million	Investment < ₹20 million	Investment < ₹50 million

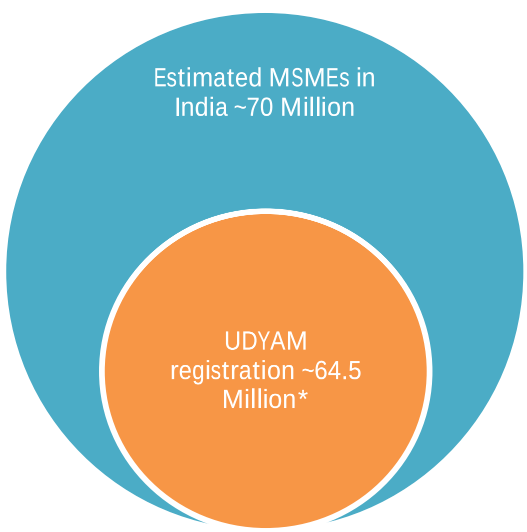
Revised MSME classification			
Composite Criteria: Investment and annual turnover			
Classification	**Micro**	**Small**	**Medium**
Manufacturing and Services enterprises	Investment < ₹10 million and Turnover < ₹50 million	Investment < ₹100 million and Turnover < ₹500 million	Investment < ₹500 million and Turnover < ₹2.5 billion

Source: MSME Ministry, Crisil Intelligence

Formalisation of MSMEs

After the government revised the definition of MSMEs in June 2020, MSMEs that had an existing MSME registration (Udyog Aadhaar Number or UAN), or Enterprise Memorandum ("**EM**"), were required to re-register themselves under UDYAM. Thereafter, in August 2020, the RBI issued a notification allowing financiers to obtain the UDYAM certificate from entrepreneurs for lending purposes.

There has been a large push for formalisation of MSMEs in recent years. In Fiscal 2016, MSMEs registered on the UDYAM portal (similar government portals) were almost 0.5 million, which increased to approximately 64.5 million as of June 8, 2025. A UDYAM certificate will be required by MSMEs for taking benefit of any scheme of the Central government. The UDYAM portal is also integrated with the Government e-Marketplace ("**GeM**") and the Trade Receivables and Discounting System ("**TReDS**"), so that enterprises can participate in government procurement and have a mechanism for discounting their bills.



*Note: *As of June 8, 2025, Source: MSME Ministry, Crisil Intelligence-*

Year-wise and MSME category-wise registration of MSMEs

Year/ Category	Fiscal 2016	Fiscal 2025
Micro	421,516	63,986,867
Small	70,866	474,617
Medium	2,631	35,496
Total	**495,013**	**64,496,980**

Source: https://dashboard.msme.gov.in/, Development Commissioner Ministry of Micro, Small & Medium Enterprises (DCMSME), UDYAM Registrations, Crisil Intelligence

Top 10 State-wise UDYAM registration of MSMEs

State	Cumulative MSME Registration *	Share in overall MSME registration
MAHARASHTRA	**8,435,182**	13%
UTTAR PRADESH	**6,945,866**	11%
TAMIL NADU	**5,211,959**	8%
WEST BENGAL	**4,507,780**	7%
KARNATAKA	**4,285,097**	7%
MADHYA PRADESH	**4,081,779**	6%
RAJASTHAN	**3,685,244**	6%
GUJARAT	**3,685,043**	6%
BIHAR	**3,519,445**	5%
ANDHRA PRADESH	**3,317,012**	5%

Note: (*) Based on Cumulative MSME registration as of June 8, 2024 (https://dashboard.msme.gov.in/Udyam_Statewise.aspx) Source: UDYAM Registrations, Crisil Intelligence

Overview of MSME financing in India

MSME credit gap

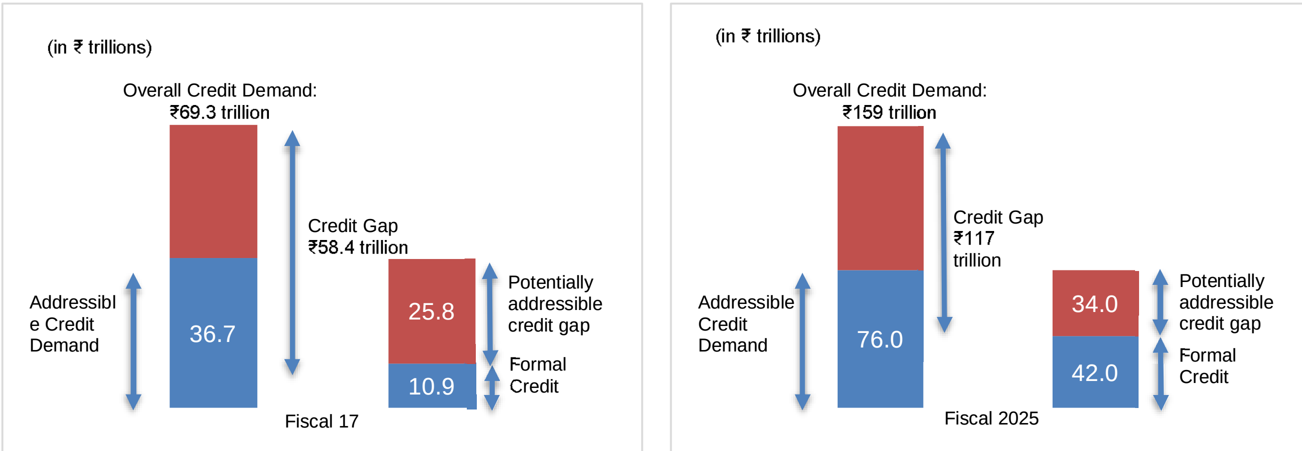
High risk perception and prohibitive cost of delivering services physically have constrained formal lending to MSMEs. The emerging self-employed individuals and micro, small and medium enterprise segment is largely unaddressed by lending institutions in India.

An IFC report titled Financing India's MSMEs (November 2018) estimated the MSME credit demand at ₹69.3 trillion in Fiscal 2017, of which only approximately 16% of demand was met through formal financing and consequently, the MSME credit gap (defined as the gap between the demand for funds amongst MSMEs and the supply from formal financiers) was estimated at ₹58.4 trillion. This gap was met through informal sources including moneylenders, chit funds and personal sources from friends and relatives. The interest rate for these sources generally ranges between 30-60% per annum.

The credit gap is estimated to have further widened over the last four years due to slower economic growth in Fiscal 2020, followed by the COVID-19 pandemic in Fiscal 2021. In Fiscal 2021, the nationwide lockdown to contain the spread of the COVID-19 pandemic disrupted economic activity, hurt demand, impacted working capital needs and supply chain along with future investments and expansions. Furthermore, government schemes post the COVID-19 pandemic such as the ECLGS scheme provided relief only to MSME units with existing loans from a formal financial institution.

As of Fiscal 2025, the MSME credit demand is estimated to be around ₹159 trillion, of which 27-28% of demand is met through formal financing. Assuming an increase of around 11% annually in the demand for credit and the availability of credit from formal sources, Crisil Intelligence estimates the credit gap to have increased to ₹117 trillion as of Fiscal 2025.

Despite increase in MSME loans outstanding, large credit gap still exists



Note: E: Estimated, Source: IFC report on Financing India's MSMEs dated November 2018, Crisil Intelligence estimates

As per the IFC report titled Financing India's MSMEs (November 2018), out of total MSME credit demand of ₹69.3 trillion in Fiscal 2017, the addressable credit demand was at ₹36.7 trillion after removing demand from new MSMEs, commercially unviable MSMEs and micro MSMEs that do not seek formal financing as these types of MSMEs voluntarily go for informal source of credit on account of the process being much faster, some MSMEs are quite young with no operational track record to prove their credit worthiness to the lender and MSMEs which are estimating near term bankruptcy. Out of the total addressable credit demand of ₹36.7 trillion (53% of the total credit demand of ₹69.3 trillion) in Fiscal 2017, formal source accounted for ₹10.9 trillion taking potentially addressable credit demand gap to ₹25.8 trillion (Fiscal 2017), which represented MSME credit gap that could have been addressed by Financial Institutions in the near term.

On the similar lines, as of Fiscal 2025, Crisil Intelligence estimates the total addressable credit demand at apporx. ₹76 trillion, out of which current formal financing stands at approx. ₹42 trillion taking the total addressable MSME credit gap to around ₹34 trillion, which needs to be met by Financial Institutions. Crisil Intelligence expects total addressable credit demand to have increased on account of higher bank support; favourable government policies and increased lender focus with tailored products and technological advancements. Technology and use of various data sources are helping lenders analyse cash flow for NTC (New to Credit) MSME customers faster and bring many MSMEs into the formal financing network. Further, this demand is expected to grow as the Government expects MSMEs' contribution to GDP to increase in the coming years.

The two pandemic waves were particularly tough for the MSMEs on account of no or fewer economic activities. The pandemic led to frequent lockdowns and restrictions that interrupted supply chains, demand and hence profitability of the MSMEs. During Fiscal 2023 to Fiscal 2025, the Indian economy normalised, with industrialisation and urbanisation picking up pace. In line with the overall growth, aggregate MSME credit grew approx. 31% in Fiscal 2024. In Fiscal 2025, overall MSME credit grew by approx. 20% due to higher credit demand from MSMEs and higher focus by lenders on the asset class leading to higher disbursements.

Smaller enterprises relatively more starved of credit

The smaller enterprises are much more starved of institutional credit, and therefore, they primarily depend on promoter contribution for working capital and fund requirements. While the access to funding has improved in the last few years, credit remains out of bounds for large swathes of the MSME population in India.

Modes of funding for MSMEs

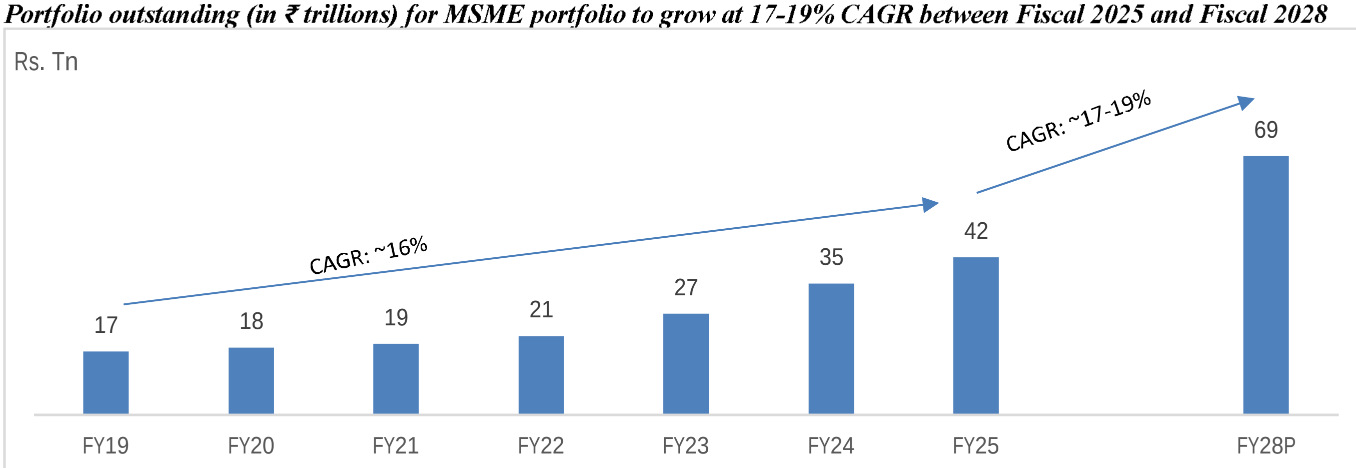
Banks and NBFCs offer various credit products based on the need of MSMEs. Such products include Loan against property, Supply chain financing, Inventory funding, Unsecured business loans, etc.

Loan against property: It is a secured business loans which is disbursed by financial institutions against the mortgage of property. The property act as collateral/security and therefore the financial institution charges comparatively lesser interest rates than unsecured loans.

Supply chain finance (SCF): SCF consists of financing MSMEs against invoices and receivables as intermittent collaterals. It includes providing cash to suppliers against receivables from buyers.

Inventory funding: Inventory acts as one of the most important factors for running business smoothly. Inventory financing facilitate MSMEs to buy adequate inventories which could act as collateral for the loan. It helps MSMEs in maintaining optimal stock levels without impacting their cash flows.

Portfolio outstanding (in ₹ trillions) for MSME portfolio to grow at 17-19% CAGR between Fiscal 2025 and Fiscal 2028



Source: Crisil Intelligence estimates

Growth drivers for MSME Credit

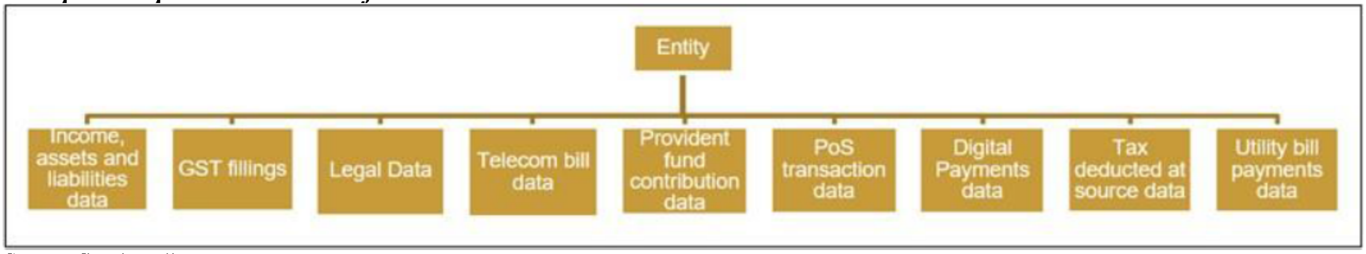
High credit gap in the MSME segment

As per estimates, less than 15% of approximately 70 million odd MSMEs have access to formal credit in any manner as of March 2022. High risk perception and the prohibitive cost of delivering services physically have constrained traditional institutions' ability to provide credit to underserved or unserved MSMEs and self-employed individuals historically. As a result, they resort to credit from informal sources. This untapped market offers huge growth potential for financial institutions. As stated earlier, the credit gap was estimated at around ₹58.4 trillion as of Fiscal 2017 (Source: IFC report named Financing India's MSMEs released in November 2018) and is estimated to have widened further to around ₹117 trillion as of Fiscal 2025.

Increased data availability and transparency

With increased digital initiatives by the MSMEs, the shift towards their formalisation and digitisation has created a plethora of data points for lenders that would help improve the efficacy of credit assessment and gradually enable provision of credit to hitherto underserved customer segments. This increase has created a digital footprint of customers, which can be potentially used for credit decision making, along with other relevant parameters such as customer demographics, business details, credit score, and personal situation of the borrower. Demonetisation and GST have further accelerated formalisation of the Indian economy.

Multiple data points can be used for credit assessment



Source: Crisil Intelligence

Increasing access and faster turnaround time

Due to availability of multiple data points and technology solutions, the lending process involving documentation, verification and processing of the transactions has evolved and now takes much lesser time. Technology led enhancements such as use of big data analytics and social media campaigns to acquire customers, use of direct and derived variables for underwriting, automated processes, minimum documentations, Aadhar based e-KYC, account aggregators and flexible repayment options due to simplified real-time digital payments system have helped reduce processing time, increasing access to credit for borrowers and faster TAT.

Growth in branch network of players in MSME segment

Over past few years, players offering MSME loans have expanded their branch network with the intent to serve a larger customer base. Share of borrowers from top cities in India has been on a declining trend indicating that lenders are shifting their focus on MSMEs in rural and semi urban areas. In the future also, Crisil Intelligence expects lenders with a strong focus on MSME lending and healthy competitive positioning to continue to invest in branch expansion. With increasing branch network, customer acquisition and credit penetration, share of MSME loans is also expected to increase.

Entry of new players and partnerships between them

Lenders are increasing the use of digital platforms to help automate and digitize loan sanctioning process however the borrower is required to possess documents for the initial clearance as stated by the banks. Incumbent traditional lenders will increasingly leverage the network of their partners and/or digital ecosystem to cross-sell products to existing customers, tap customers of other lenders, and cater to new-to-credit customers. This will expand the market for MSME loans.

Robust government support

The government has a special focus on the MSME sector on account of its economic contribution to the economy and number of people employed in the sector. MSMEs in India come under the purview of Government of India, Ministry of MSME, Khadi Village and Coir Industries Commission (KVIC). The government launched Udyam Assist Platform (UAP) on January 11, 2023 to enhance formalisation of the economy. As of June 8, 2025, 27 million informal micro enterprises have joined UAP to come under the formal economy. Government of India has also introduced a new scheme called 'PM Vishwakarma' aiming to improve the quality of products and services of small artisans and craftsman and ensure that their companies are a part of national and global supply chain. The scheme was launched on September 2023. The initial amount to be disbursed under the scheme is ₹13,000 crores for five years from Fiscal 2023-2024 to Fiscal 2027-2028.

Relaxation in the threshold under the SARFAESI Act from ₹5 million to ₹2 million for NBFCs

In the Union Budget 2021-2022, for NBFCs with a minimum asset size of ₹1 billion, the minimum loan size eligible for debt recovery under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI) Act, 2002 was proposed to be reduced from the existing level of ₹5 million to ₹2 million. The objective of this move is to improve credit discipline while continuing to protect the interest of small borrowers. This relaxation is expected to facilitate recovery from stressed books, help the NBFCs to improve their ability to recover smaller loans and strengthen their overall financial health. More importantly, it acts as a deterrent to default and enhances the enforceability of collateral for players focused on the medium ticket size LAP segment with loans of ₹2 million-₹5 million.

Inclusion of retail and wholesale trade under MSME category

In July 2021, the Ministry of Micro, Small and Medium Enterprises decided to include Retail and Wholesale trade as MSMEs for the purpose of Priority Sector Lending and they would be allowed to be registered on UDYAM Registration Portal. The move is structurally positive from long-term perspective, as it will enable entities operating in the segment to register on Government's UDYAM portal, participate in government tenders and also avail financing options/benefits available to the category. This move will also aid in the formalisation of India's retail trade and enable financial support to small and mid-sized retail businesses. By widening the scope of MSME to cover wholesale as well as retail trade, this move also creates an additional opportunity for MSME lenders to increase their penetration and business.

Prime Minister's Employment Generation Programme (PMEGP) providing margin money to MSMEs

PMEGP is a credit linked subsidy scheme to provide employment opportunities by establishing new micro enterprises in the non-farm sector where margin money is provided to MSMEs availing loan from banks to set up new enterprises. The maximum margin money provided under the scheme for setting up a new project is ₹5 million for manufacturing sector and ₹2 million for service sector. Geo-tagging for the products and services of the units set up under this scheme has been initiated. This will help the enterprises with creating market linkages.

Credit Guarantee Fund Scheme extended to cover NBFCs

One of the major reasons why MSMEs are credit-starved is the insistence by banks or financial institutions for the provision of collateral against loans. Collaterals are not easily available with such enterprises, leading to a high-risk perception and higher interest rates for these MSMEs. In order to address this issue, the government launched the Credit Guarantee Fund Scheme under the aegis of the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) in order to make collateral-free credit available to micro and small enterprises. In January 2017, the scheme was extended to cover systemically important NBFCs as well.

Digital penetration

The lenders have been increasingly leveraging technology solutions and alternative data to source and underwrite MSME loans. Such changes in MSME lending have been driven by:

Digital/technological changes:

- E-commerce platforms (B2C and B2B): Connecting buyers and sellers
- Introduction of digital lending focused NBFCs: Use of technology to provide MSME lending
- Low-cost internet data availability: Facilitating increase in internet penetration
- Business solutions focussed on MSME such as digitising accounting, workflows, operations, etc., leading to better data availability

Government led initiatives:

- Introduction of UPI: Simplified real-time digital payments
- GST implementation: Simplified business taxes, improved formalisation of businesses
- Aadhaar based e-KYC: Reduced documents requirements, faster TAT, Aadhaar-PAN linkage facilitating lenders to verify information
- ONDC: Facilitated adoption of e-commerce through open protocol

RBI-led initiatives:

- TReDS: TReDS is an electronic platform for facilitating the financing/discounting of trade receivables of MSMEs through multiple financiers

- Account aggregators: Act as a common platform which enable sharing and consumption of data from various entities with user consent

Key success factors for NBFCs offering MSME Loans

- **Ability to dive into deeper geographies with a strong branch network:** Players need to have a clear and deeper understanding of their target customer segment, the markets they operate in and develop a strong local network. The deeper understanding and presence of inhouse sales team for direct sourcing within the segment also leads to lower customer churn.

- **Focussed approach to tap underserved niche borrower segments:** MSME focussed lenders need to build a portfolio with deep understanding of the target segment and market. Specific tailor-made lending products for MSMEs with easier data availability to help lenders take a focussed approach.

- **Strong underwriting capabilities:** MSMEs tend to generally be more impacted by vagaries of the business cycle given their limited financial wherewithal and/or reliance on larger buyers. On account of limited data to support credibility of the MSME borrower, lenders are now using alternate methods of underwriting like cash flow analysis to strengthen their underwriting capabilities.

- **On-the-ground presence to manage collections and maintain portfolio quality:** Additionally, given that players in the segment also cater to a relatively riskier profile, a strong focus on collections and monitoring risk of default at customer level is vital to manage asset quality. Direct Sourcing allows control over the quality of customers and processes involved for disbursement, which can lead to better asset quality, as compared to other methods of customer acquisition.

- **Collateral risk management:** Properties that are used as collateral for MSME loans sometimes lack proper property titles, especially in the outskirts of large cities, semi-urban and rural areas.

OVERALL SECURED MSME (LAP) PORTFOLIO OUTSTANDING

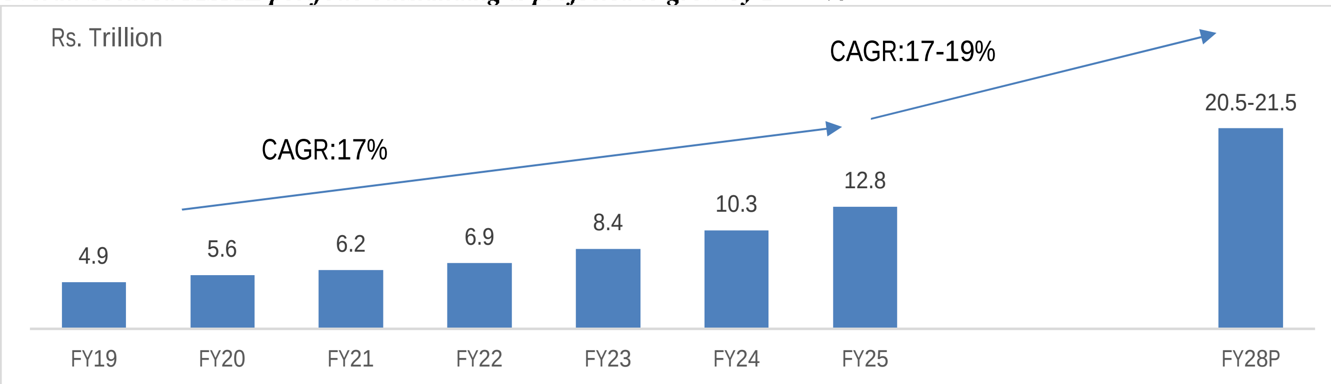
Overall Secured MSME portfolio outstanding is projected to grow by 17-19% over Fiscals 2025-2028

Overall Secured MSME loan (LAP) segment grew at a strong pace with portfolio outstanding registering a CAGR of nearly 17% from Fiscal 2019 to Fiscal 2025. Crisil Intelligence estimates such outstanding secured MSME loans given out by banks and NBFCs to be around ₹12.8 trillion as of Fiscal 2025. A secured MSME loan can be obtained by mortgaging a residential or commercial real estate with the lender.

In Fiscal 2022, overall secured MSME loan portfolio outstanding grew at a slower rate of about 11% year-on-year. NBFCs moved towards niche credit assessments without the requirement of property collateral to help provide credit and meet the rapid demand from MSMEs. In Fiscal 2023, overall secured MSME loan segment bounced back with about 22% year-on-year growth as economic activity normalised through support of RBI and centre's promotion of Aatmanirbhar Bharat. In both Fiscal 2024 and Fiscal 2025, overall secured MSME portfolio grew at about 24% year-on-year backed by robust economic conditions and increase in domestic consumption and growth.

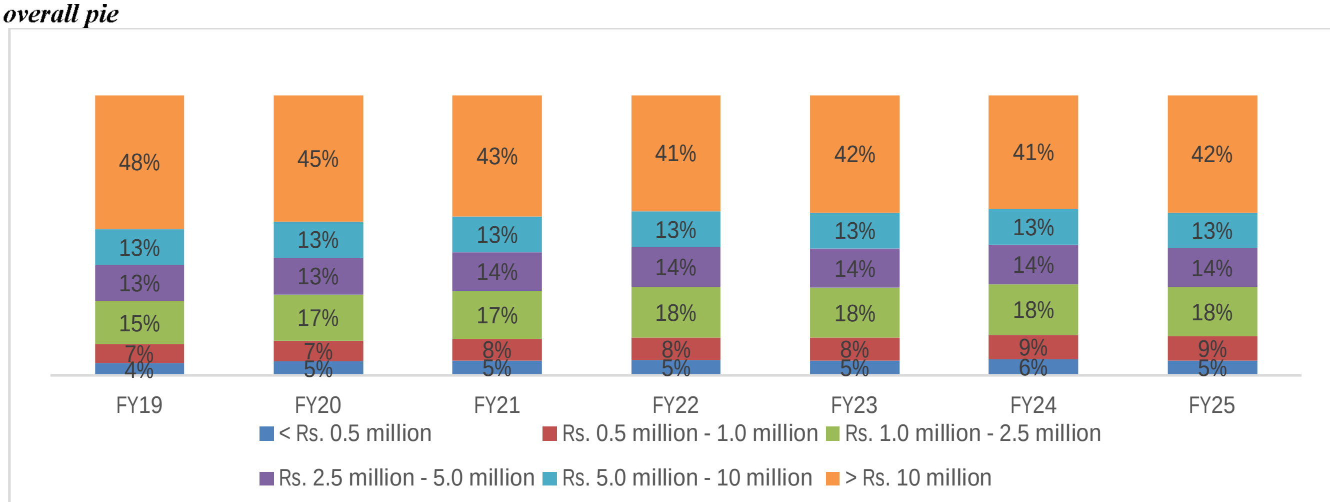
Over the last few years, expansion in branch network, more data availability and government initiatives like GST, Udyam, and increasing formalisation of the MSME segment has led to increasing focus of lenders, especially the NBFCs, on this space. NBFCs (including HFCs, NBFC-Fintech) enjoy a market share of 39% as of March 2025 in overall secured MSME portfolio outstanding.

Overall Secured MSME portfolio outstanding is projected to grow by 17-19% over Fiscals 2025-2028



Note: P: Projected, Source: CRIF Highmark, Crisil Intelligence

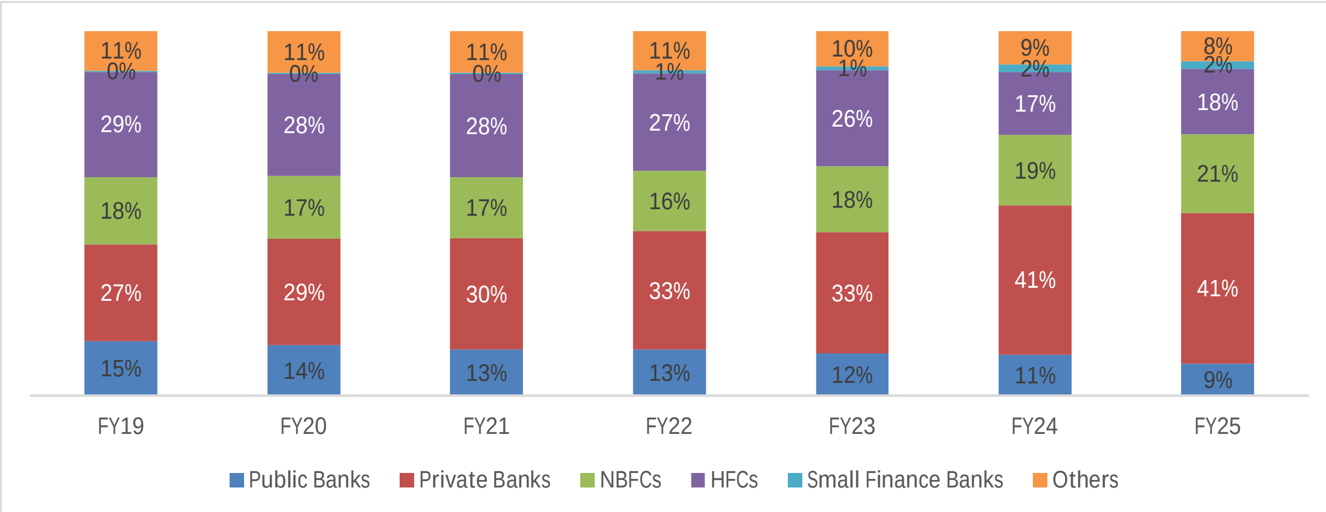
Share of overall secured MSME portfolio outstanding with ticket size ₹1.0-2.5 million has been increasing in the overall pie



Source: CRIF Highmark, Crisil Intelligence

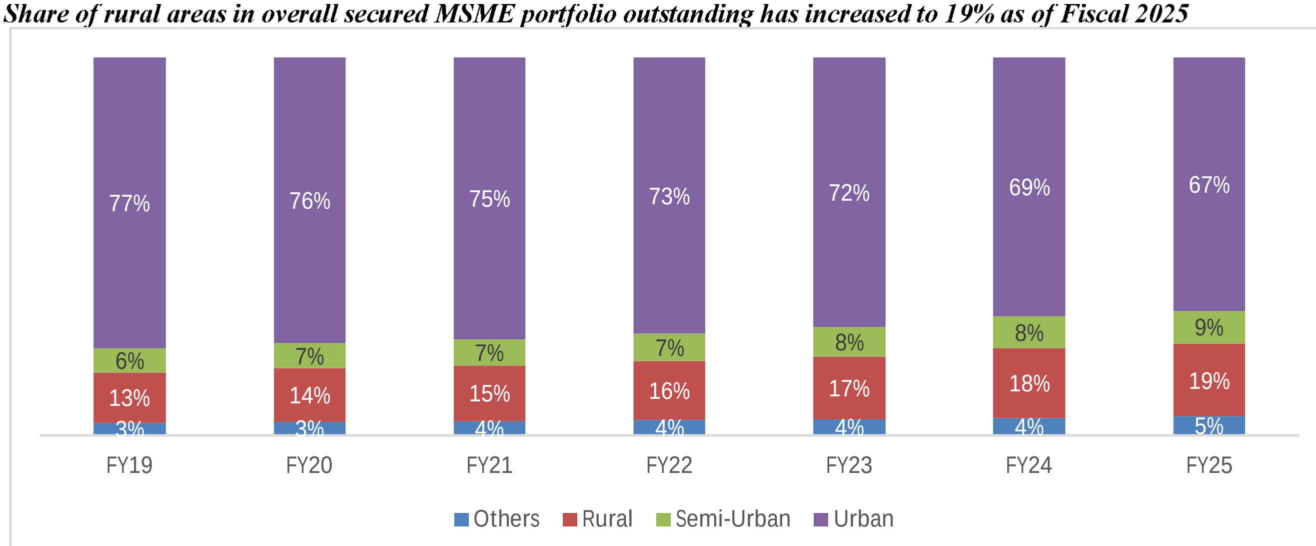
Private banks have the highest share of overall Secured MSME loan outstanding, which increased from 27% in Fiscal 2019 to 41% in Fiscal 2025. On account of the merger of HDFC Bank with HDFC Limited in July 2023, the share of private sector banks has risen in Fiscal 2024. NBFCs/HFCs have established a significant presence in MSME loans by prioritizing customer needs, ensuring quick turnaround times, delivering excellent customer service, and expanding their geographic reach. Over time, the MSME portfolio of NBFCs has shown faster growth compared to the overall MSME portfolio at a systemic level. Crisil Intelligence expects the competitive positioning of NBFCs to remain strong, given their strong target customer and product focus.

Share of lender-wise portfolio outstanding in overall secured MSME portfolio outstanding



Source: CRIF Highmark, Crisil Intelligence

Share of rural areas in overall secured MSME portfolio outstanding has increased to 19% as of Fiscal 2025

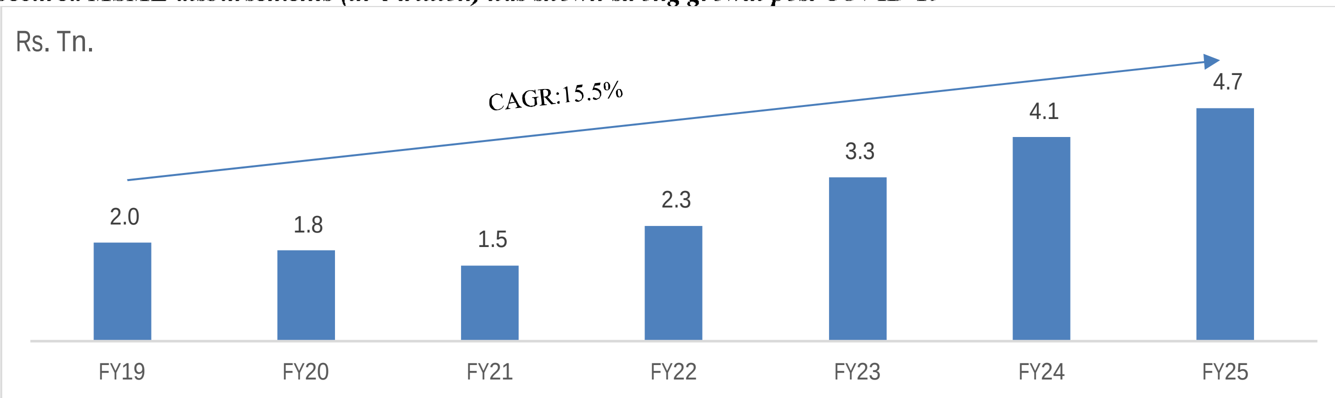


Source: CRIF Highmark, Crisil Intelligence

Overall secured MSME portfolio witnessed steady disbursement growth over Fiscal 2019 - Fiscal 2025

Overall secured MSME disbursement has grown to ₹4.7 trillion in Fiscal 2025 from ₹2.0 trillion in Fiscal 2019 with CAGR of 15.5%.

Secured MSME disbursements (in ₹ trillion) has shown strong growth post COVID-19

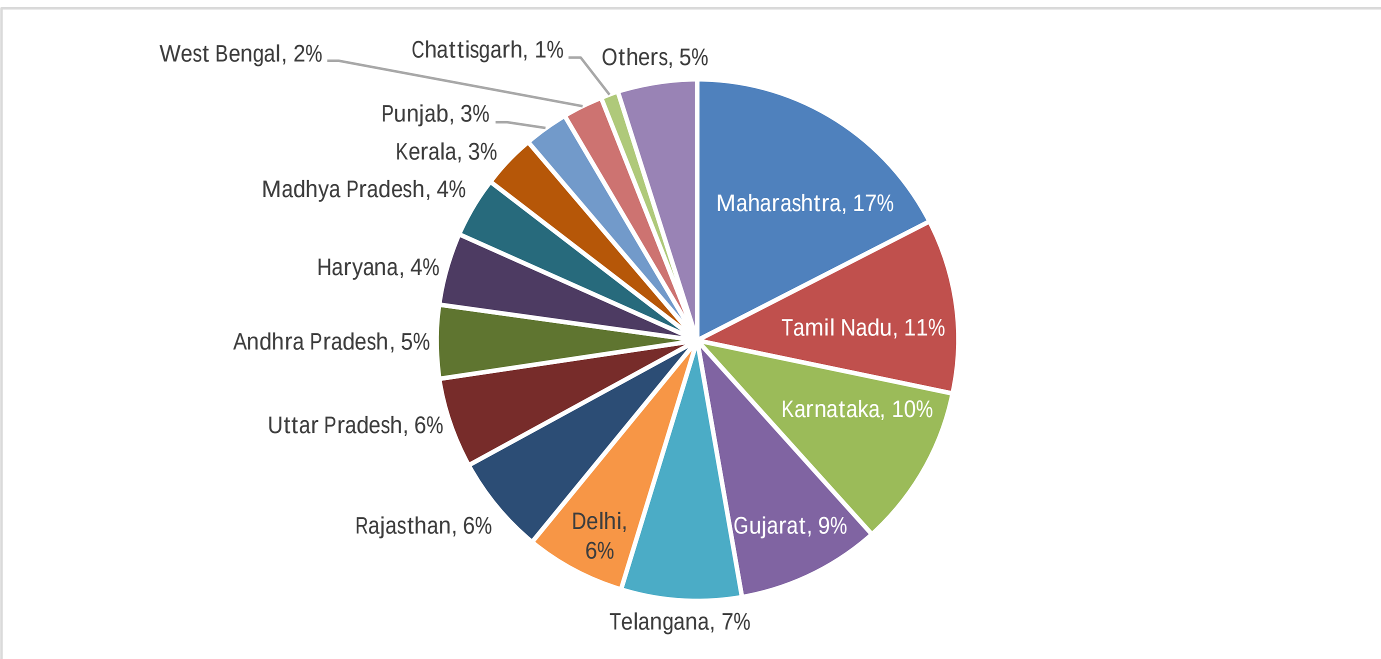


Source: CRIF Highmark, Crisil Intelligence

Maharashtra reported the highest share in overall Secured MSME portfolio outstanding as of Fiscal 2025

In Fiscal 2025, Maharashtra reported the highest portfolio outstanding of overall secured MSME portfolio outstanding at 17% followed by Tamil Nadu (11%), Karnataka (10%), Gujarat (9%) and Telangana (7%).

Share of states in overall secured MSME portfolio outstanding (Fiscal 2025)



Source: CRIF Highmark, Crisil Intelligence

Similarly, in terms of disbursement, Maharashtra recorded the highest amount at ₹775 billion, followed by Tamil Nadu, Karnataka, Gujarat, and Telangana as of Fiscal 2025. The top 15 states collectively contributed to approximately 95% of the market share of overall secured MSME portfolio outstanding as of Fiscal 2025.

Asset Quality Metrics

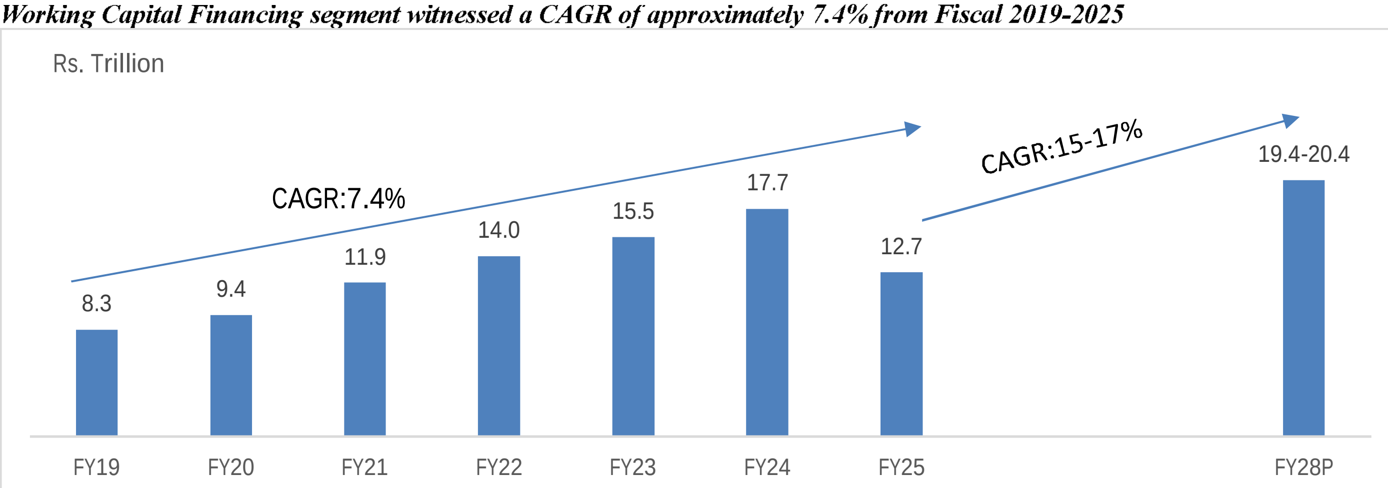
Ticket-wise asset quality: 90+ Days Past Due ("DPD") across various ticket sizes

Ticket size	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025
< ₹0.5 million	6.8%	7.2%	8.4%	8.4%	6.7%	5.9%	6.9%
0.5 million – 1.0 million	4.3%	5.4%	6.1%	5.9%	5.0%	4.3%	4.6%
1.0 million – 2.5 million	3.3%	4.4%	5.2%	4.9%	4.0%	3.7%	3.6%
2.5 million – 5.0 million	3.4%	4.3%	5.1%	4.9%	4.0%	3.5%	3.3%
5.0 million – 10 million	3.4%	4.4%	5.3%	5.3%	4.6%	3.5%	3.2%
>10 million	3.9%	5.4%	6.5%	6.6%	6.1%	4.3%	3.4%
Overall (90+ DPD)	**3.9%**	**5.1%**	**6.0%**	**6.0%**	**5.2%**	**4.1%**	3.7%

Source: CRIF Highmark, Crisil Intelligence

WORKING CAPITAL FINANCING

Working Capital Financing segment witnessed a CAGR of approximately 7.4% from Fiscal 2019-2025



Note: Working capital financing portfolio outstanding as reported in the commercial bureau.
Source: CRIF Highmark, Crisil Intelligence

Overall Working Capital Financing segment in India stood at ₹12.7 trillion as of Fiscal 2025, witnessing a CAGR of approximately 7.4% from Fiscal 2019. The segment has witnessed continuous growth across fiscals, with the fastest year-on-year growth in outstanding credit witnessed in Fiscal 2023 and Fiscal 2024. In Fiscal 2025, the segment experienced the decline in overall portfolio. Going forward, as per Crisil Intelligence estimates, it is expected that the segment will grow at a CAGR of 15-17% till Fiscal 2028.

Loans between ₹5 to ₹10 million witnessed the fastest growth in Working Capital Loan Segment

Among ticket brackets, loans between ₹5 to ₹10 million witnessed the fastest growth among ticket brackets growing at a CAGR of 12.3% from Fiscal 2019 to Fiscal 2025, while it accounts for nearly 10% share in overall working capital loan segment, this was followed by loans less than ₹1.0 million growing at a CAGR of 10.5%, accounting for nearly 9% share.

Loans between ₹5 to ₹10 million witnessed the fastest growth in Working Capital Loan Segment from Fiscal 2019-2025

Ticket Bracket (in ₹ Billion)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	CAGR (Fiscal 2019-2025)
< ₹1 million	653	742	847	952	1,230	1,512	1,188	10.5%
₹1 million – 2.5 million	519	564	728	798	925	1,122	906	9.7%
₹2.5 million – 5 million	552	622	767	892	1,014	1,156	933	9.1%
₹5 million – 10 million	664	758	946	1,129	1,295	1,506	1,329	12.3%
> ₹10 million	5,896	6,759	8,660	10,228	11,015	12,383	8,323	5.9%

Note: Working capital financing portfolio outstanding as reported in the commercial bureau.
Source: CRIF Highmark, Crisil Intelligence

NBFCs witnessed the fastest growth among lenders from Fiscal 2019-2025, while Private banks accounted for the highest share

Among lenders, NBFCs witnessed the fasted growth during Fiscals 2019-2025, growing at a CAGR of approximately 15.8%, which was followed by private sector banks growing at a CAGR of approximately 13.9% from Fiscal 2019-2025. Among lenders, private sector banks accounted for the highest share in credit outstanding with a share of around 51%.

NBFCs witnessed the fastest growth among lenders from Fiscal 2019-2025, while Private banks accounted for the highest share

Portfolio Outstanding (in ₹ billions)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	CAGR (Fiscal 2019-2025)
NBFCs & HFCs	128.5	166.5	190.9	292.7	290.7	339.4	310.4	15.8%
Public Banks	4,391.9	4,198.0	5,163.9	5,565.3	6,436.8	7,494.6	4,955.3	2.0%
Private Sector Banks	2,992.9	4,131.2	5,498.7	6,918.6	7,308.3	8,277.1	6,539.7	13.9%
Others	770.4	949.2	1,094.3	1,221.9	1,442.7	1,567.1	939.3	3.4%

Note: Working capital financing portfolio outstanding as reported in the commercial bureau.
Source: CRIF Highmark, Crisil Intelligence

Urban Regions accounted for the highest share in Working Capital Loan Segment as of Fiscal 2025

Urban regions accounted for the highest share in working capital loan segment, accounting for nearly 60% market share followed by rural regions accounting for nearly 22% share and semi-urban regions accounting for approximately 11% market share. While the fastest growth was witnessed in rural regions during the fiscals growing at a CAGR of approximately 12.9% followed by semi-urban regions which grew at a CAGR of approximately 8.9%.

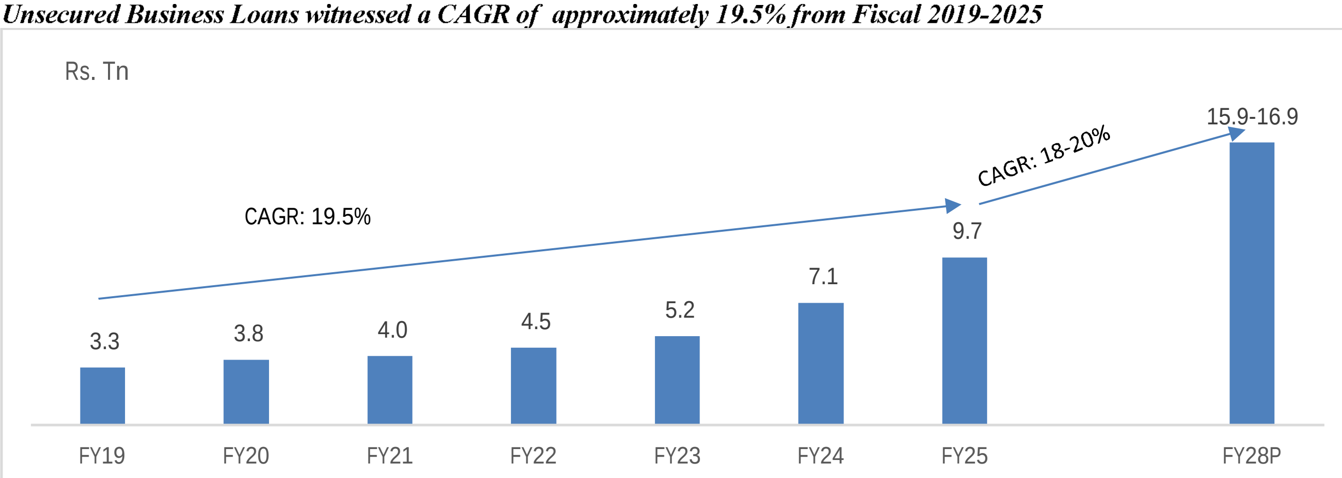
Urban Regions accounted for the highest share in Working Capital Loan Segment accounting for nearly 60% share

Tier (₹ billions)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	CAGR (Fiscal 2019-2025)
Rural	1,346.4	1,497.1	1,968.9	2,393.0	2,992.0	3,801.2	2,781.2	12.9%
Semi-Urban	849.0	909.6	1,174.6	1,418.2	1,730.8	1,991.1	1,416.8	8.9%
Urban	5,780.5	6,650.7	8,142.1	9,463.3	10,088.5	11,134.3	7,635.8	4.7%
Others	307.8	387.6	662.2	724.0	667.2	751.5	911.0	19.8%

Note: Working capital financing portfolio outstanding as reported in the commercial bureau.
Source: CRIF Highmark, Crisil Intelligence

UNSECURED BUSINESS LOANS

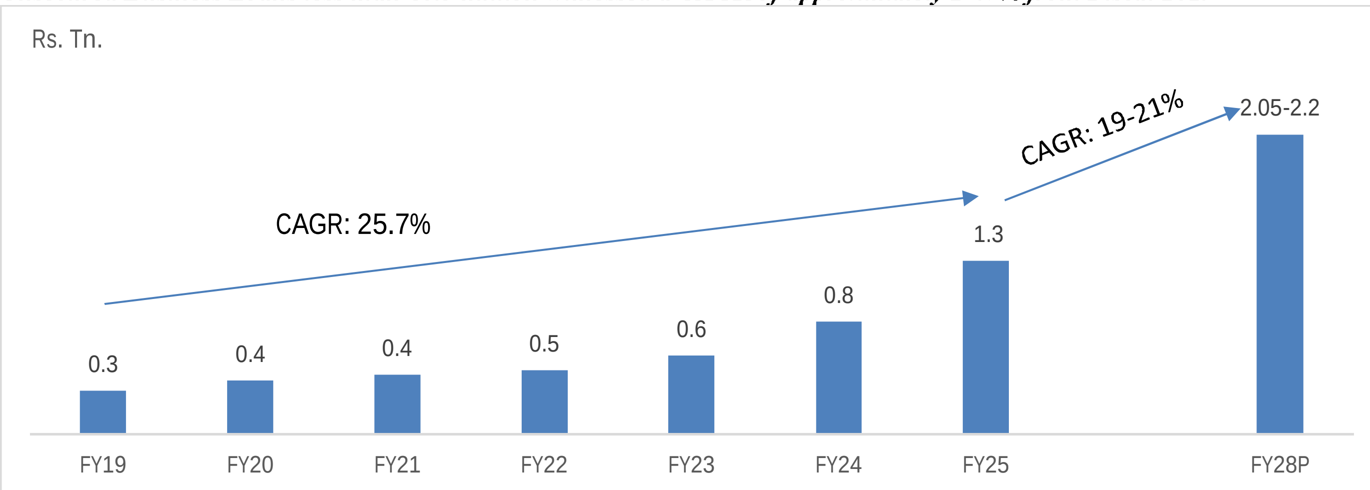
Unsecured Business Loans witnessed a CAGR of approximately 19.5% from Fiscal 2019-2025



Note: Unsecured Business loan portfolio includes business loan general, business loan unsecured, and loans to professional as per bureau.
Source: CRIF Highmark, Crisil Intelligence

The overall Unsecured Business Loan segment, which includes loans undertaken for business related purposes without any security and collateral and which generally includes general business loans, unsecured business loans and loans to professionals, stood at ₹9.7 trillion as of Fiscal 2025 in India, witnessing a CAGR of approximately 19.5% from Fiscal 2019. The segment has witnessed continuous growth across fiscals, with the fastest year-on-year growth in outstanding witnessed in Fiscal 2023, Fiscal 2024 and Fiscal 2025, growing at 15%, 38% and 37% year-on-year, respectively. Going forward, as per Crisil Intelligence estimates, it is expected that the segment will grow at a CAGR of 18-20% till Fiscal 2028 primarily due to rising number of business enterprises in India and increasing financial penetration in both rural and urban areas aided by multiple government initiatives in the segment. In the upcoming fiscals, as financiers are moving to more advance methods of customer underwriting and not just taking credit bureau scores in consideration, lenders would be able to lend more, significantly helping the segment to grow at a faster pace.

Unsecured Business Loans less than ₹0.5 million witnessed a CAGR of approximately 25.7% from Fiscal 2019-2025



Note: Unsecured Business loan portfolio less than ₹0.5 million includes business loan general, business loan unsecured, and loans to professional as per bureau. Source: CRIF Highmark, Crisil Intelligence

Unsecured Business Loans less than ₹0.5 million segment in India, stood at ₹1.3 trillion as of Fiscal 2025, witnessing a CAGR of approximately 25.7% from Fiscal 2019-2025, with continuous growth across fiscals. The segment witnessed a decline in growth in Fiscal 2022, growing year-on-year at 8%, while in Fiscal 2023 and Fiscal 2024 strong growth was witnessed in the segment at 23% and 43% year-on-year, respectively. in fiscal 2025, the segment witnessed nearly 54% year on year growth. Going forward, as per Crisil Intelligence estimates Unsecured Business Credit financing in the less than ₹0.5 million segment is expected to grow at a faster pace than Overall Unsecured Business Loan Credit and would witness a CAGR of 19-21% till Fiscal 2028. The faster growth will be supported by increasing number of micro businesses and enterprises in rural and semi-urban regions requiring credit facilities for working capital, etc. with the advent of technology, players can digitally underwrite customers and disburse funds to them.

Loans between ₹0.1 million to ₹0.2 million witnessed the fastest growth in Unsecured Business Loans Segment

Among ticket brackets, loans between ₹0.1 to ₹0.2 million witnessed the fastest growth among ticket brackets growing at a CAGR of 30.5%, while it accounts for around 3.4% share in overall unsecured business loan segment, this was followed by loans less than ₹0.1 million growing at a CAGR of 28.3%, accounting for around 3.3% share. Loans more than ₹2.5 million accounted for the highest share in unsecured business portfolio outstanding, with a share of around 66% growing at a CAGR of approximately 20%.

Loans between ₹0.1 million to ₹0.2 million witnessed the fastest growth in Unsecured Business Loan Segment from Fiscal 2019-2025

Ticket Bracket (in ₹ billions)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	CAGR (Fiscal 2019-2025)
Less than ₹0.1 million	72.2	81.4	92.7	115.8	156.8	278.3	322.0	28.3%
₹0.1 million to ₹0.2 million	67.0	85.1	86.4	87.4	107.9	160.1	331.7	30.5%
₹0.2 Mn to ₹0.5 million	181.0	225.6	255.1	263.8	308.5	382.3	611.2	22.5%
₹0.5 million to ₹1 million	248.2	314.6	363.1	404.1	498.1	558.5	700.6	18.9%
₹1 million to ₹2.5 million	482.0	566.9	579.2	623.5	811.2	985.8	1,227.2	16.9%
More than ₹2.5 million	2149.4	2399.7	2536.6	2891.8	3166.5	4570.5	6,372.5	19.9%
Others	135.8	125.8	119.6	105.1	106.5	154.4	137.6	0.2%

Note: Others include customer portfolio data in which no information on ticket size was available with the bureau.
Unsecured Business loan portfolio includes business loan general, business loan unsecured, and loans to professional as per bureau. Source: CRIF Highmark, Crisil Intelligence

Private Sector Banks witnessed the fastest growth among lenders from Fiscal 2019-2025, while public sector banks accounted for the highest share in overall Unsecured Business Loan Segment

Among lenders, private sector banks witnessed the fasted growth during Fiscals 2019-2025, growing at a CAGR of approximately 28.3% in the Unsecured Business Loan segment, which was followed by NBFCs banks witnessing a CAGR of approximately 24.2% and public sector banks growing at a CAGR of approximately 18.3% from Fiscal 2019-2025. Among lenders, Public Sector banks accounted for the highest share in credit outstanding with a share of nearly 42% followed by private banks and NBFCs accounting for nearly 23.4% share each.

Private Sector Banks witnessed the fastest growth among lenders from Fiscal 2019-2025, while public sector banks accounted for the highest share in overall Unsecured Business Loan Segment

Portfolio Outstanding (in ₹ billion)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	CAGR (Fiscal 2019-2025)
NBFCs	618.8	778.4	792.8	873.4	1,221.4	1,335.3	2,269.6	24.2%
Private Banks	511.1	602.5	623.5	732.2	880.4	1,135.8	2,274.5	28.3%
Public Sector Banks	1,485.7	1,610.2	1,632.5	1,813.6	1,808.6	3,440.1	4,078.5	18.3%
Others	720.0	807.9	984.1	1,072.3	1,245.0	1,178.8	1,080.3	7.0%

Note: Unsecured Business loan portfolio includes business loan general, business loan unsecured, and loans to professional as per bureau. Others includes SFBs, foreign banks and other small players.
Source: CRIF Highmark, Crisil Intelligence

Urban Regions accounted for the highest share in Unsecured Business Loan Segment as of Fiscal 2025

Urban regions accounted for the highest share in Unsecured Business Loan Segment, accounting for around 63.4% market share followed by rural regions accounting for around 23.1% share and semi-urban regions accounting for around 9.5% market share. The fastest growth was witnessed in rural regions during Fiscals 2019 - 2025 growing at a CAGR of approximately 25.2% followed by semi-urban regions which grew at approximately 23.7% CAGR.

Urban Regions accounted for the highest share in Unsecured Business Loan Segment, accounting for around 63.4% share

Tier (₹ Billion)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	CAGR (Fiscal 2019-2025)
Rural	581.4	691.2	780.9	899.0	1,126.1	1,595.7	2,237.1	25.2%
Semi-Urban	258.1	300.2	315.2	363.1	441.9	668.3	924.5	23.7%
Urban	2,387.7	2,680.0	2,799.9	3,063.8	3,396.7	4,547.1	6,146.9	17.1%
Others	108.3	127.6	136.8	165.8	190.7	278.9	394.4	24.0%

Note: Unsecured Business loan portfolio includes business loan general, business loan unsecured, and loans to professional as per bureau. Source: CRIF Highmark, Crisil Intelligence

Top five states accounted for the more than 49% in Unsecured Business Loan Segment credit outstanding

Among states, Maharashtra accounted for highest share in unsecured business loan outstanding accounting for nearly 16% share as of Fiscal 2025, which was followed by Tamil Nadu accounting for nearly 10.3% share and Gujarat accounting for nearly 9% share. Among the top 15 states, Bihar witnessed the fastest growth in credit outstanding growing at a CAGR of approximately 40.8%, followed by Andhra Pradesh witnessing a CAGR of approximately 27% from Fiscal 2019-2025. As of Fiscal 2025, the top 5 states accounted for nearly 49% share, while the top 10 states accounted for nearly 75% share.

Maharashtra accounted for the highest share in Unsecured Business Loan Segment as of Fiscal 2025

State (in ₹ billions)	Fiscal 2019	Fiscal 2024	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	CAGR (Fiscal 2019-2025)
Maharashtra	652.5	737.3	781.4	859.4	1010.9	1216.6	1,532.3	15.3%
Tamil Nadu	412.6	460.5	510.2	553.0	602.5	757.4	998.3	15.9%
Gujarat	253.7	286.1	302.7	332.3	419.3	613.2	849.7	22.3%
Karnataka	251.6	288.8	304.0	332.2	386.4	513.8	704.6	18.7%
Uttar Pradesh	182.6	206.1	207.3	233.3	282.3	485.9	677.8	24.4%
Telangana	161.7	196.0	202.4	238.3	251.0	400.8	552.1	22.7%
Delhi	303.3	324.0	317.7	335.3	345.9	407.3	551.8	10.5%
West Bengal	160.5	193.5	206.7	217.8	241.0	343.9	550.4	22.8%
Andhra Pradesh	102.3	113.2	115.1	151.0	156.2	310.5	427.5	26.9%
Rajasthan	146.2	177.0	185.2	209.7	247.1	300.0	416.7	19.1%
Kerela	113.0	132.3	193.5	239.7	263.3	336.9	403.3	23.6%
Madhya Pradesh	105.5	132.9	145.3	169.1	214.5	266.0	352.8	22.3%
Haryana	122.2	134.7	126.7	131.0	152.4	193.5	291.5	15.6%
Bihar	32.8	43.2	47.5	53.6	70.3	155.2	255.3	40.8%
Punjab	101.0	108.7	106.2	116.2	136.3	160.4	215.3	13.4%
Others	234.2	264.8	280.9	319.8	376.2	628.7	923.4	25.7%

Note: Unsecured Business loan portfolio includes business loan general, business loan unsecured, and loans to professional as per bureau. Source: CRIF Highmark, Crisil Intelligence

Threats and challenges in MSME Loan Segment

MSME lending segment is expected to witness a rapid growth in the upcoming fiscals, however, there are a few risks associated with lending to this segment.

- **Inadequate credit history of borrowers:** Generally, small borrowers often lack credit history, which is necessary for underwriting. Additionally, they do not have the financial capabilities to invest in maintaining proper accounts due to which it becomes difficult for lenders to assess their creditworthiness.

- **Borrowers susceptible to policy and regulatory changes:** Owing to the highly dynamic industry environment, MSMEs are vulnerable to policy and regulatory changes to which they might not have a capability to cope with.

- **Borrowers lack liquidity and are vulnerable to cash flow challenges:** MSMEs often face delays in payments which significantly impact their cash flow cycle and in-turn impact their repayment behavior.

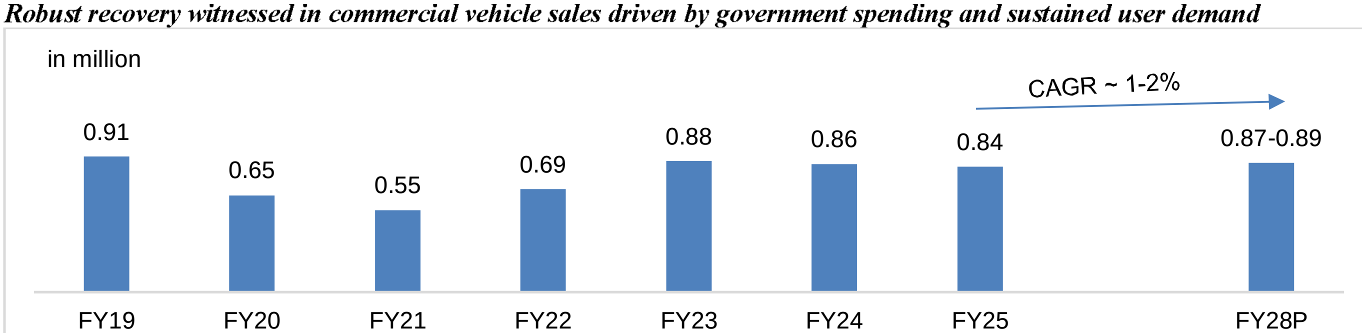
- **Borrowers are unable or unwilling to share all information:** Borrowers usually do not have all the required information available because of which lenders cannot assess the borrowers in a better manner.

- **MSMEs lack updated technology as compared to large companies:** Large companies have higher sophistication of technology, which MSME players lack owing to low capital; hence they face the risk of getting outdated.

- **Inadequate financial literacy:** MSME owners often lack financial expertise. The lack of financial literacy may lead to poor financial planning.

COMMERCIAL VEHICLE FINANCING IN INDIA

Robust recovery witnessed in commercial vehicle sales driven by government spending and sustained user demand

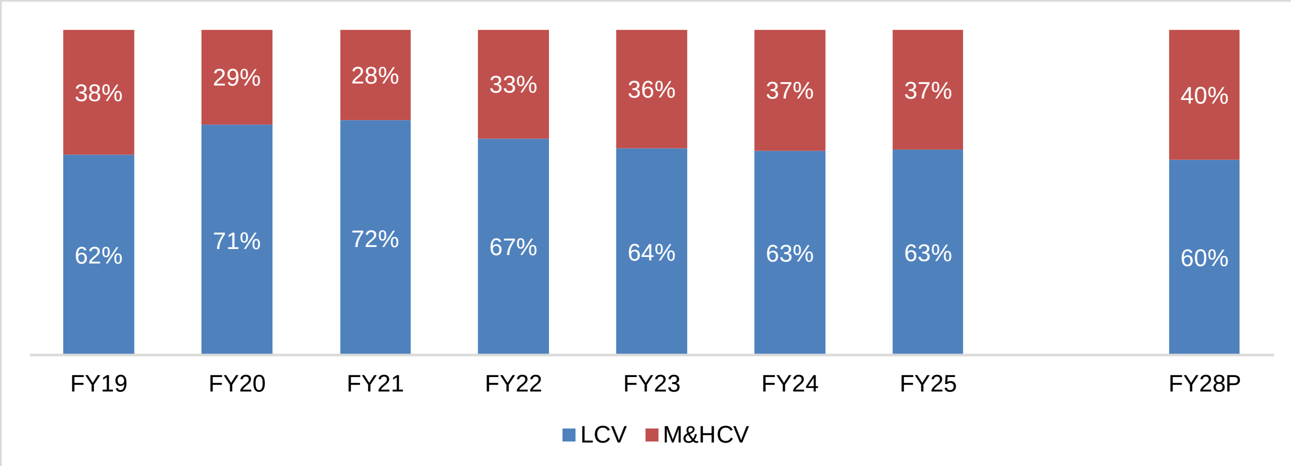


Note: CV sales include LCV & MHCV goods carrying vehicles. Source: SIAM, Crisil Intelligence

The commercial vehicle (CV) industry, which consists of Light Commercial Vehicles (LCV), Medium and Heavy Commercial Vehicles (MHCV) exhibited strong growth in Fiscal 2023 and grew at 32% year on year, albeit on a low base. This resurgence can be attributed to pent-up replacement demand, improved transporter profitability, pick up in capex, which was hampered during the preceding 2-3 years due to economic stagnation and the disruptive impact of the pandemic. However, the segment witnessed muted growth in Fiscal 2024 primarily due to high base of Fiscal 2023. In Fiscal 2025, the overall CV volumes declined by 2%, with the slowdown primarily led by the MHCV segment, which saw a decline of 3%. This was due to the healthy tonnage growth of the past years leading to a buildup of excess supply in the system, thereby weakening new sales demand. Additionally, lower government spending (which were down by 12% in first 8 months of fiscal 2025) owing to general elections led to delayed awarding of roads and other infrastructure projects, further hindering CV growth. The LCV segment also recorded a decline of 2%, with sales being dragged down by the sub-one-tonne segment, which faced stiff competition from electric three-wheelers (e-3Ws) in last-mile delivery and from healthy sales in previous years.

In fiscal 2026, the overall commercial vehicle (CV) segment is expected to grow with the Light Commercial Vehicles (LCV) segment leading the growth. This growth is driven by replacement volumes from healthy sales over fiscals 2017-19, the resumption of government spending to usual levels, and increased construction and mining activity supported by a 9-11% higher budgeted construction capex. Additionally, the lowering of repo rates and higher loan disbursements are expected to contribute to this growth.

Light commercial vehicles account for around 63% of total commercial vehicle sales as of Fiscal 2025



Note: CV sales include LCV & MHCV goods carrying vehicles, Source: SIAM, Crisil Intelligence

The Light Commercial Vehicle (LCV) sales declined by 2% in fiscal year 2025. Despite an increase in volume up for replacement compared to past years, the general slowdown in economic activity put downward pressure on LCV sales. Reduction in construction activity, along with subdued demand for last-mile delivery and e-commerce activity due to declining urban spending, impacted sales. In fiscal 2026, the LCV segment is projected to grow by 4-6%, driven by increased economic and commercial activities.LCV segment is also considered to be less cyclical than the MHCV segment due to its usage in e-commerce delivery fleets and other essential economic activities, providing better last mile connectivity.

The Medium and Heavy Commercial Vehicle (MHCV) segment declined by 3% in fiscal year 2025. The decline in the volume up for replacement and the oversupply of tonnage in the system hindered volume growth. In fiscal 2026, the MHCV segment is projected to grow by 2-4%, supported by postponed purchases from Fiscal 2025 and healthy end-use segments. Despite the mild increase in freight rates and stable fuel prices providing only weak support, the overall growth is expected due to postponed purchases from Fiscal 2025 and healthy end-use segments.

Top 10 states account for around 71% of total commercial vehicle sales as of Fiscal 2025

Top 10 states account for around 71% of total commercial vehicle sales as of Fiscal 2025, with top five states accounting for 47% of total commercial vehicle sales. Among states Maharashtra had the highest share in CV sales as of Fiscal 2025 at nearly 15% followed by Gujarat (nearly 9%) and Uttar Pradesh (nearly 9%).

State (in 000's)	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025
Maharashtra	83.7	68.0	89.7	116.0	110.3	122.2
Gujarat	52.4	38.5	58.9	72.7	73.9	77.1
Uttar Pradesh	57.0	47.9	58.7	81.2	83.0	75.3
Karnataka	40.8	36.3	46.6	64.0	62.4	58.0
Tamil Nadu	48.9	46.9	54.5	70.8	67.6	57.5
Rajasthan	36.7	28.3	41.6	58.6	57.8	56.9
Haryana	31.9	28.6	41.7	53.2	52.4	54.0
Madhya Pradesh	24.0	19.9	22.0	31.9	33.6	32.6
West Bengal	33.5	28.1	31.3	34.2	32.0	31.9
Andhra Pradesh	26.9	32.7	29.1	35.5	33.2	29.2

Delhi	18.8	17.7	26.4	31.4	25.4	27.2
Telangana	17.8	19.3	22.6	27.7	26.6	26.6
Orissa	21.9	18.3	17.5	25.5	30.9	26.2
Chatisgharh	13.8	11.3	14.6	24.1	25.7	23.6
Assam	27.2	25.0	29.1	35.0	31.9	21.6
Kerala	18.5	20.4	20.8	22.7	22.6	21.5
Others	76.7	61.6	78.8	94.2	94.6	93.4

Note: CV sales include LCV & MHCV goods carrying vehicles, Source: SIAM, Crisil Intelligence

Key Growth drivers of Commercial Vehicle Sales in India

Healthy industrial growth in Fiscal 2025

The Indian industry's gross value added (GVA) continued to grow steadily, in line with the GDP, averaging around 6% between fiscals 2020 and 2025. Industrial GVA is estimated to have grown by approximately 6.4% on-year in fiscal 2025 . Over the next five-year period (fiscal 2025-2030), industry GVA is expected to be robust driven by the government's focus on 'Make in India' with the stated aim of the government to push up the share of Manufacturing in India's GDP from 17% to 25%.

Moreover, improvement in infrastructure and higher expected corporate expenditure is likely to support the capex cycle going forward post-fiscal 2024. India's ambitious infrastructure development plans, including the Bharatmala Pariyojana and Sagarmala programs, are expected to drive commercial vehicle demand during fiscal 2025 to fiscal 2030, as the resulting increase in construction and logistics activities boosts demand for heavy and medium commercial vehicles.

Scrappage policy

In August 2018, MoRTH (Ministry of Road, Transport and Highways) considered incentivising the scrapping of vehicles sold before April 2005 (15 years old). After deliberations on the modalities of implementation of the norm, the government aims to promote vehicle scrapping by exempting registration charges for truck purchases made after scrapping older trucks. To incentivise scrappage of older vehicles, the government has increased the registration charges for older vehicles and increased stringency of fitness tests. Crisil Intelligence expects the impact of the norms to be limited on additional scrappage (apart from vehicles scrapped in the normal course of business).

Increasing freight rates to aid in materialisation of deferred demand

In fiscal year 2026, transporter profitability is expected to remain stable at 7-8%. A mild increase in freight rates and stable fuel prices are anticipated to keep profitability at similar levels. In fiscal year 2025, fuel prices constituted approximately 55% of transport costs, exerting a considerable influence on overall profitability. During this period, diesel prices remained stable. Concurrently, freight rates increased by 12%, signaling improved transporter profitability and heightened demand for freight services. These favorable factors supported the shift to higher tonnage vehicles as the industry capitalized on the increased demand in the transportation sector.

Capacity utilisation and profitability of transporters

Rising capacity utilisation and profitability of transporters in India are boosting demand for commercial vehicles. Higher fleet efficiency and profits enable transporters to invest in new vehicles, supporting growth in the commercial vehicle industry.

Rise in Private Final Consumption Expenditure (PFCE)

LCVs are primarily used for last-mile transport and redistribution of commodities. PFCE is a good indicator of domestic consumption demand, and accounts for over 90% of LCV goods tonnage capacity. Apart from the usual freight demand, an increase in rural consumption and a rise in urban expenditure boosts demand for smaller vehicles to transport consumer goods. Moreover, a rise in consumption of non-food items, consumer durables and FMCG products fuels demand for LCVs.

Increasing adoption of hub-and-spoke network

The road transport industry is gradually moving towards the hub-and-spoke distribution model, wherein industries have large hubs in major regions. Goods are consolidated at these hubs and sent to several touch points (spokes) in the hinterland. Freight is distributed over the last mile via LCVs, such as sub-one-tonne CVs and pick-ups. With the rising adoption of the network, sales for LCVs is expected to rise.

Substitution of three wheelers

Small commercial vehicles (SCVs), especially sub-one-tonne models (0.75-tonne payload), can substitute large three-wheelers of similar payload capacity, given the SCVs' ability to carry loads beyond payload capacity, run on longer routes, maintain better balance, and be more cost-efficient. The pace of substitution, which is tapering off, remains a key parameter that impacts LCV sales.

Key Growth Drivers of Used Commercial Vehicle Sales in India

Higher affordability as compared to new vehicles

Used commercial vehicles are generally more affordable as compared to new vehicles, making them accessible to small and medium-sized businesses. The lower upfront cost of used vehicles makes them accessible to a wider range of customers who may not have the financial capacity to invest in a brand-new commercial vehicle.

Cost effectiveness

The depreciation rate of new commercial vehicles is usually higher, resulting in a more significant loss in value over time. Used commercial vehicles on the other hand have already undergone their initial depreciation making them a more cost-effective solution to businesses.

Improved quality and reliability

Advancement in technology and manufacturing processes has led to improvement in quality and reliability of used commercial vehicles, customers now have a higher confidence in the performance and durability of used commercial vehicles.

Rise in micro, small and medium enterprises in India

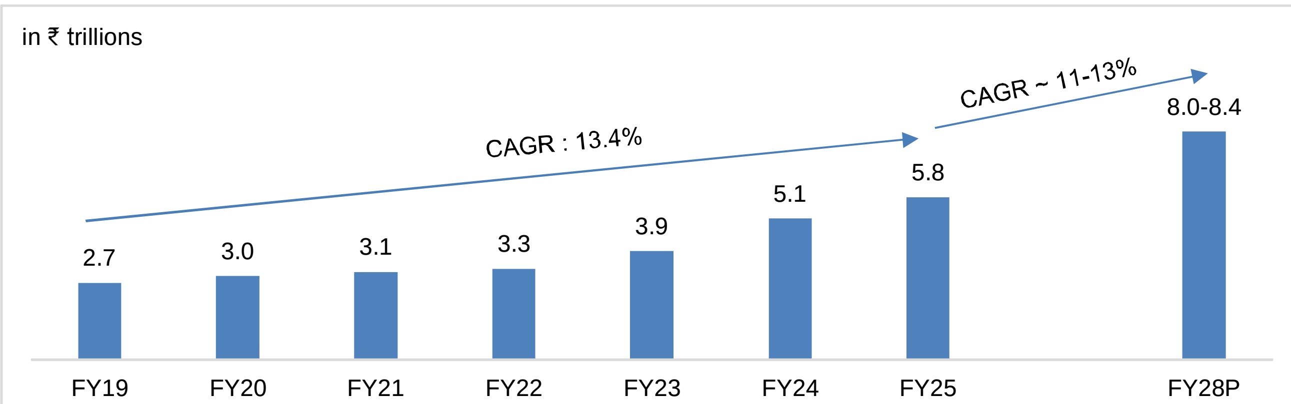
There has been a significant rise in micro, small and medium enterprises in India due to favourable government policies and economic scenario, used commercial vehicles act as a sustainable option to fulfil their logistics and transportation needs due to their lower cost of acquisition and cost effectiveness.

Right to win for NBFCs

NBFCs held the lion's share in overall commercial vehicle financing on account of relatively superior customer connect in small fleet operators ("**SFOs**") and first-time buyers customer segment, strong and deep understanding of local economy, ease of loan processing, relatively higher loan-to-value ("**LTV**"), and higher risk-taking ability of NBFCs. Banks primarily have more focus on financing large fleet operators ("**LFOs**") based on their superior credit profiles. They also prefer big ticket financing, like that for MHCVs. While the sector has been under stress and delinquencies over the past two years, the quality of the portfolio improved in Fiscal 2023 as economic activity picked up thus increasing repayment capabilities. This has enabled banks to capture and expand market share in both LFOs and SFOs as they can offer better loan rates and higher ticket size than NBFCs. However, as banks are more cautious in lending to riskier CV asset classes, NBFCs can maintain their strong hold and build better customer profiles that will support them going forward.

Commercial Vehicle Financing is expected to witness a CAGR of 11-13% from Fiscal 2025-2028

New Commercial vehicle financing segment is expected to grow at a CAGR of 11-13% till Fiscal 2028. The segment witnessed a growth of approximately 13.4% CAGR from Fiscals 2019 to 2025. The segment witnessed a very slow growth during Fiscals 2021 and 2022, primarily due to COVID-19 pandemic and nation-wide lockdowns. Post that, the growth has been higher at around 19% in Fiscal 2023, around 30% in Fiscal 2024 and 15% in Fiscal 2025. The growth was primarily due to an increase in private consumption and freight demand. Going forward, growth in the segment is expected to be supported by rising demand for LCVs due to increased private consumption, greater availability of redistribution freight and improved finance while demand for MHCVs is expected to grow due to improvement in economic activity across the country, along with steady agricultural output and government's focus on infrastructural development.

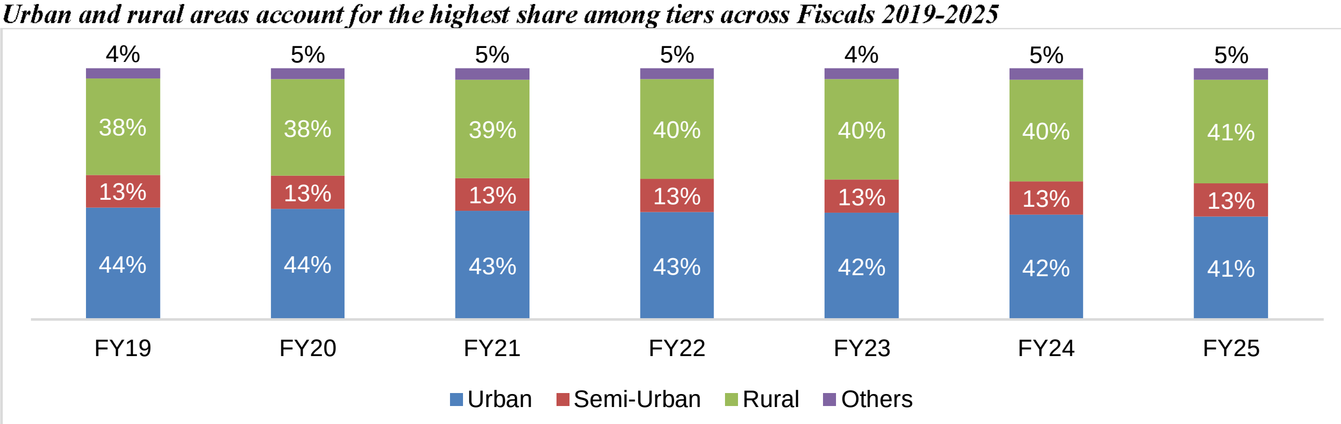


Source: CRIF Highmark, Crisil Intelligence

Urban areas account for the highest share among tiers across Fiscals 2019-2025

As of Fiscal 2025, urban and rural regions account for the highest share accounting for nearly 41% share each in overall commercial vehicle financing and semi-urban regions accounting for nearly 13% market share.

Urban and rural areas account for the highest share among tiers across Fiscals 2019-2025



Source: CRIF Highmark, Crisil Intelligence

Maharashtra accounts for the highest share in commercial vehicle financing outstanding as of Fiscal 2025

Among states, Maharashtra accounts for the highest share in overall commercial vehicle financing outstanding as of Fiscal 2025 accounting for nearly 13% market share, followed by Tamil Nadu accounting for nearly 10% share and Uttar Pradesh accounting for nearly 9% share. Among the top 15 states, Chattisgarh witnessed the fastest growth in the last six Fiscals growing at a CAGR of approximately 16.0% followed by Gujarat and Madhya Pradesh which grew at approximately 15.5% and approximately 15.4% CAGR from Fiscal 2019-2025.

Maharashtra accounts for highest share in commercial vehicle financing outstanding as of Fiscal 2025

State (in ₹ billions)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	CAGR (Fiscal 2019-2025)
Maharashtra	365.5	421.6	442.8	453.4	532.2	644.7	726.8	12.1%
Tamil Nadu	256.2	277.5	294.3	296.6	349.9	520.7	580.7	14.6%
Uttar Pradesh	237.8	242.6	247.3	261.6	329.1	454.8	522.3	14.0%
Rajasthan	222.9	235.4	245.2	261.3	325.7	417.1	491.2	14.1%
Gujarat	170.6	190.7	201.0	218.3	269.8	342.2	405.6	15.5%
Karnataka	167.5	184.6	195.5	203.0	245.2	319.2	356.3	13.4%
Madhya Pradesh	120.9	145.0	154.1	162.4	196.7	255.2	284.8	15.4%
Haryana	121.6	123.6	129.0	143.7	186.3	239.4	279.4	14.9%
Telangana	120.6	141.2	150.7	149.3	172.5	231.6	267.8	14.2%
Andhra Pradesh	160.7	160.0	161.4	153.2	175.2	229.6	248.6	7.5%
West Bengal	120.0	127.6	131.9	140.0	164.4	197.3	229.6	11.4%
Orissa	90.8	106.1	116.6	129.0	140.5	166.1	190.4	13.1%
Chhattisgarh	76.4	76.8	79.2	85.4	115.8	160.4	185.8	16.0%
Bihar	86.7	96.8	104.3	100.6	108.2	145.2	180.5	13.0%
Kerala	87.4	93.3	100.5	99.1	109.5	135.8	148.3	9.2%
Others	340.6	369.2	382.8	402.1	471.0	602.4	728.8	13.5%

Source: CRIF Highmark, Crisil Intelligence

Maharashtra accounts for highest commercial vehicle financing disbursements as of Fiscal 2025

Among states, Maharashtra accounts for the highest share (around 12%) in commercial vehicle financing disbursements as of Fiscal 2024, followed by Tamil Nadu and Rajasthan, accounting for around 10% and around 9% share each. Among top 15 states, Gujarat witnessed the fastest growth in disbursements (around 10.8%) followed by Haryana and Karnataka with 9.8% and 8.6% CAGR respectively from Fiscal 2019-2025.

Maharashtra accounts for highest commercial vehicle financing disbursements as of Fiscal 2025

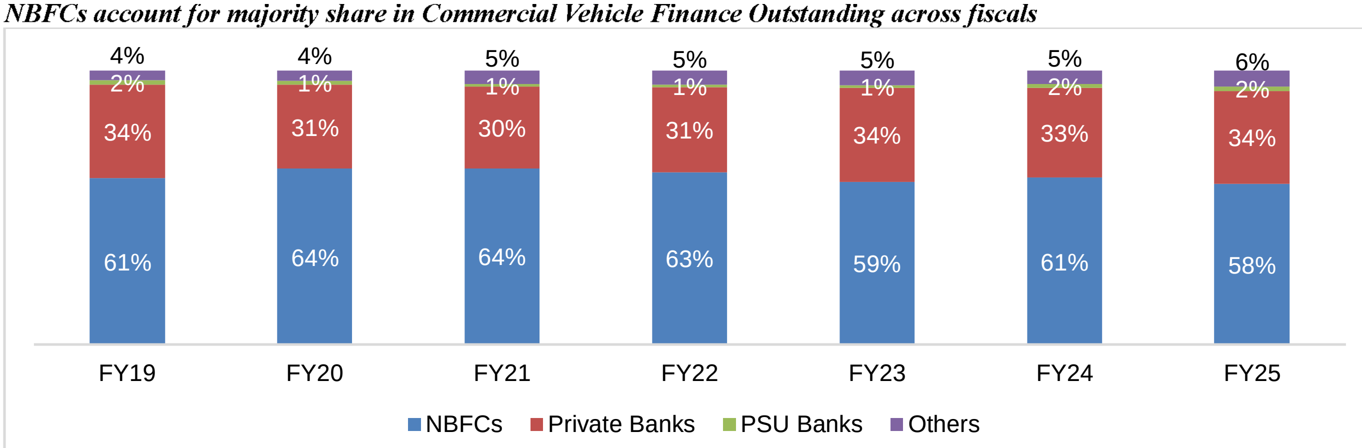
State (in ₹ billions)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	CAGR (Fiscal 2019-2025)
Maharashtra	184.6	155.7	94.9	150.2	230.5	260.1	296.8	8.2%
Tamil Nadu	166.0	133.9	81.2	116.6	190.7	230.2	225.6	5.2%
Rajasthan	133.3	121.8	73.6	120.7	184.6	206.1	220.1	8.7%
Uttar Pradesh	145.6	96.6	70.5	108.8	176.7	199.2	205.0	5.9%
Gujarat	106.0	95.0	60.9	103.2	147.8	170.7	196.7	10.8%
Karnataka	88.4	70.4	49.9	74.3	121.3	141.8	144.8	8.6%
Haryana	71.4	58.3	41.5	71.7	102.8	114.2	124.8	9.8%
Madhya Pradesh	76.0	64.3	42.7	62.7	99.5	113.0	112.8	6.8%
Andhra Pradesh	89.3	61.3	42.9	60.7	95.2	106.4	108.6	3.3%
Telangana	75.1	57.8	37.7	52.6	78.9	92.7	100.2	4.9%
West Bengal	70.4	56.1	36.3	58.1	83.0	88.9	93.6	4.9%
Chhattisgarh	47.8	30.6	21.9	34.1	62.9	76.6	71.4	6.9%
Orissa	52.7	48.8	35.6	39.9	58.7	76.5	80.8	7.4%
Kerala	47.5	40.8	29.1	35.5	53.2	63.7	65.8	5.6%
Delhi	45.0	37.5	24.2	40.7	53.5	56.0	70.1	7.7%
Others	206.5	165.7	108.8	135.8	204.3	243.5	278.6	5.1%

Source: CRIF Highmark, Crisil Intelligence

NBFCs account for majority share in Commercial Vehicle Finance Outstanding across fiscals

Among lenders, NBFCs accounted for the highest share in commercial vehicle finance outstanding (around 58%) as of Fiscal 2025, which was followed by private banks with around 34% market share and public sector banks accounting for 2% market share. Among major lenders, private banks witnessed the fastest growth in Commercial Vehicle Financing outstanding witnessing a CAGR of approximately 13.3% from Fiscal 2019-2025, while NBFCs grew at 12.7% CAGR and public sector banks witnessed a CAGR of approximately 11.5%.

NBFCs account for majority share in Commercial Vehicle Finance Outstanding across fiscals



Note: Others includes other financial institutions, Small Finance Banks and foreign banks, Source: CRIF Highmark, Crisil Intelligence

NBFCs operating in commercial vehicle financing had return on assets at 3.0%

NBFCs have a strong presence in the commercial vehicle financing space with a dominant share in used commercial vehicle financing. Primarily, small fleet operators and drivers turned owners, and first-time buyers are the core customer segment for majority of the NBFCs in this segment. As this customer segment is comparatively riskier than those catered by banks (Large &

medium sized fleet operators), NBFCs which are operating in both used and new commercial vehicle financing are able to charge higher yields (nearly 16%), which in turn translates to higher net interest margins for the players which usually range between 7-8%. Operational expenses are approximately around 3% for NBFCs due to their extensive on-ground presence and underwriting mechanisms, while credit costs usually range between 1.5-2% with return on assets estimates at around 3%.

Among NBFCs in the commercial vehicle financing space, NBFCs which cater to customers in the used commercial vehicle space usually have a loan tenure of 3-5 years while NBFCs focused on new commercial vehicles have an average loan tenure of 4-7 years. Used commercial vehicle NBFC financiers are also able to attract 3-5% higher yields as compared to new commercial vehicle financiers.

Threats and challenges in the Commercial Vehicle Financing Industry:

- **Economic Scenario:** The financial performance of auto-finance companies depends on the offtake of vehicles, which depends on the overall macroeconomic factors, such as GDP growth and the economic cycle. The commercial vehicles (CV) industry transports over half of the total freight handled in the country. As transportation is linked to all sectors, demand for CVs is closely linked to overall economic growth. CV demand is also driven by growth in industrial and agricultural production, freight movement, rising share of roadways in freight movement, and changes in freight rates. Any economic slowdown directly impacts CV sales.

- **Regulatory Environment:** Changing regulatory framework for auto-finance companies has been crucial in determining growth path of NBFCs. Over years, regulations of NBFCs have been converging with those of banks; this could lead to keener competition in the future. Also, higher provisioning requirements will impact the profitability of these companies.

- **Insufficiency of data for credit appraisal:** Credit-score availability in India is still at a nascent stage, despite the presence of credit bureaus. In several cases, borrowers lack formal income-proof documents. This makes it difficult to judge the ability of borrowers to repay.

- **Asset Quality and Recovery Risk:** The absence of an established and transparent secondary market makes it difficult to recover the value in many cases.

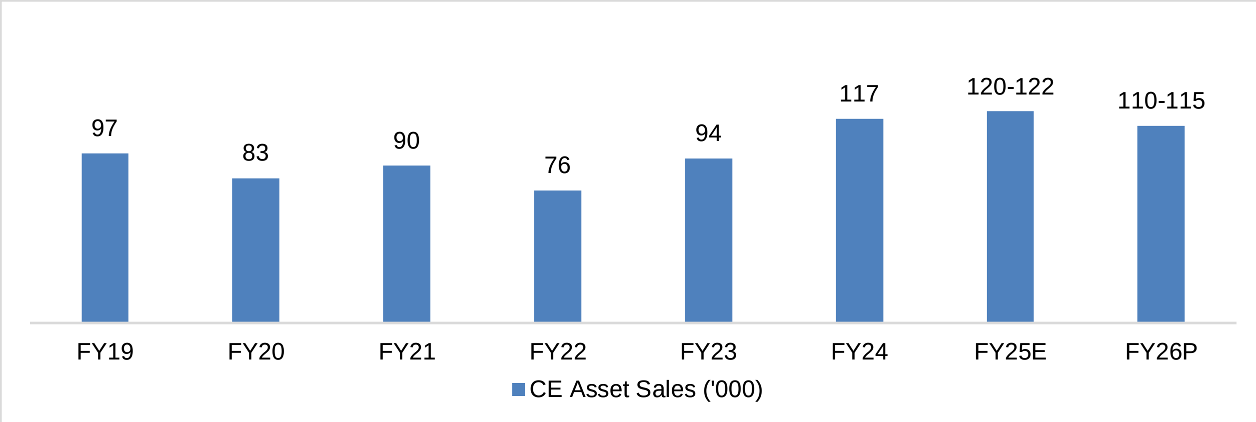
CONSTRUCTION EQUIPMENT FINANCING IN INDIA

Construction equipment volumes normalised in Fiscal 2025

Construction equipment sector grew 24% in volume terms in fiscal 2024 driven by growth in the end user industries. Volume growth normalisation of 4-6% is estimated for Fiscal 2025 with the industry is expected to breach high levels of 120K+ in volume sales with growing end uder industry segments like roads, railways and urban infrastructure. The infrastructure sector growth is led by healthy rise on high bases in state and central government capex budgets, Government initiatives such as Gati Shakti scheme and the focus on NIP (National Infrastructure Pipeline) to boost the infrastructure segments while Mining sector is expected to show growth in Fiscal 2025 in order to meet the rising demand from the power and metal sectors. Going forward, onstruction equipment finance sales to witness tepid growth in fiscal 2026 on a high base.

The volume sold are at an all-time high with rising infra and mining activity in the backdrop. With humongous central government push and rising spur in construction activities , market size is expected to increase due to higher realisations and increase in prices passed on to consumers due to cost inflation of raw materials.

Equipment volumes is estimated to have risen by 4-6% on-year in Fiscal 2025

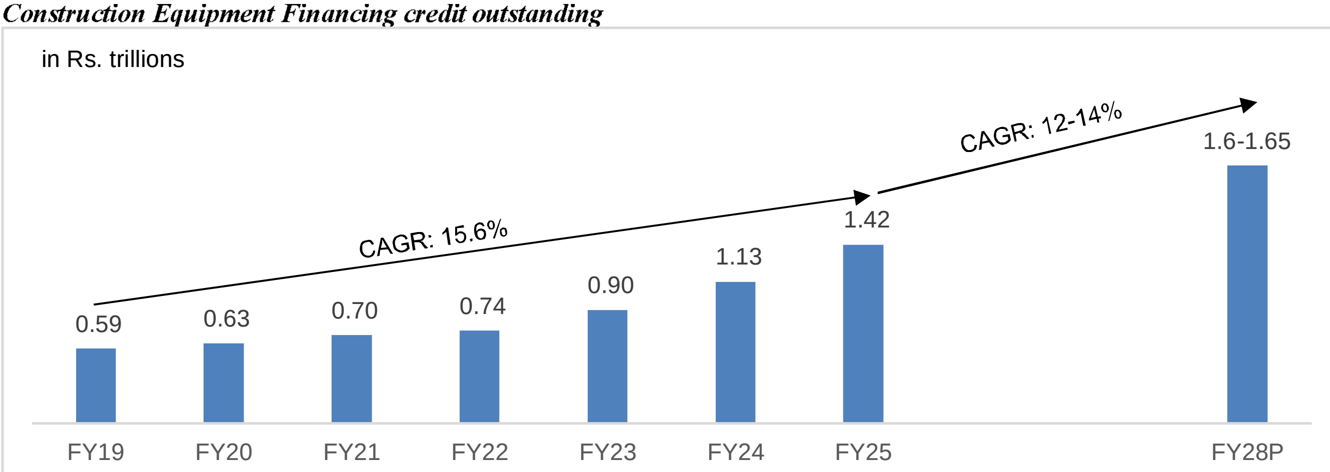


Source: Industry, Crisil Intelligence

Construction Equipment Financing is expected to witness a CAGR of 12-14% from Fiscal 2025-2028

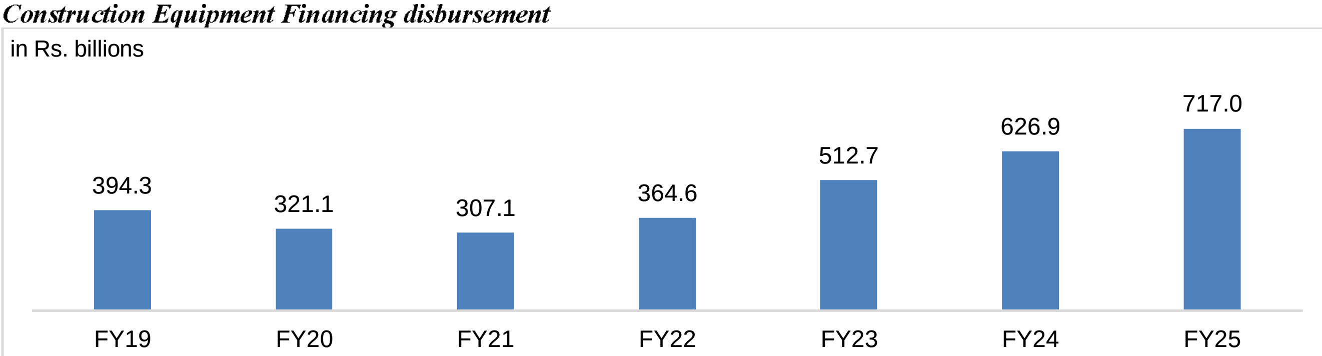
The CE finance industry grew 26% on-year in Fiscal 2025, reaching a market size of around ₹1.4 trillion. CE financing segment is expected to grow at a CAGR of 12-14% till Fiscal 2028. The segment witnessed a growth of 15.6% CAGR from Fiscals 2019 to 2025. This growth was driven by an increase in the sales value of new CE.

Construction Equipment Financing credit outstanding



Source: CRIF Highmark, Crisil Intelligence

Construction Equipment Financing disbursement

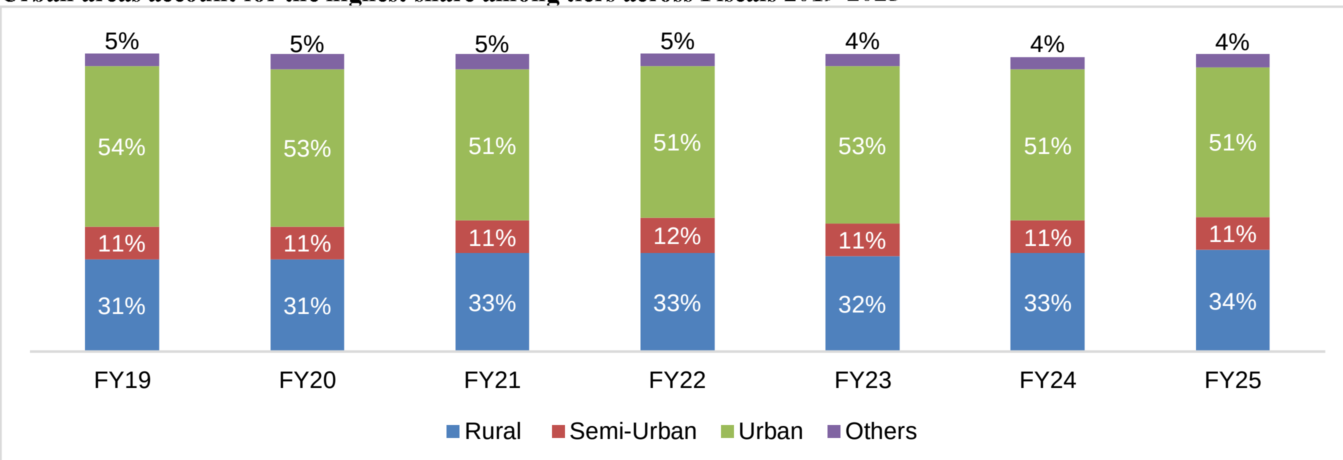


Source: CRIF Highmark, Crisil Intelligence

Urban areas account for the highest share among tiers across Fiscals 2019-2025

Urban regions account for the highest share as of Fiscal 2025, accounting for nearly 51% share in overall CE financing, this was followed by rural regions accounting for nearly 34% share and semi-urban regions accounting for nearly 11% market share.

Urban areas account for the highest share among tiers across Fiscals 2019-2025



Source: CRIF Highmark, Crisil Intelligence

Maharashtra accounts for the highest share in CE financing outstanding as of Fiscal 2025

Among states, Maharashtra accounts for the highest share in overall CE financing outstanding as of Fiscal 2025 accounting for nearly 17% market share, followed by Gujarat accounting for nearly 10% share and Rajasthan accounting for nearly 9% share. Among top 15 states, Chhattisgarh witnessed the fastest growth in the last five fiscals growing at a CAGR of approximately 21.2% followed by Gujarat and Odisha, which grew at approximately 20.0% and 19.2% CAGR each from Fiscal 2019-2025.

Maharashtra accounts for highest share in construction equipment financing outstanding as of Fiscal 2025

State (in ₹ billions)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	CAGR (Fiscal 2019-Fiscal 2025)
Maharashtra	82.8	90.6	95.2	102.1	131.2	177.8	235.4	19.0%
Gujarat	48.5	52.1	58.5	62.6	85.1	110.4	144.4	20.0%
Rajasthan	51.2	51.8	59.9	64.4	80.3	98.7	125.3	16.1%
Tamil Nadu	52.4	57.4	64.6	65.5	77.0	92.7	114.6	13.9%
Uttar Pradesh	30.5	34.4	39.9	42.2	54.1	69.5	87.3	19.1%
Karnataka	43.3	40.9	42.9	45.3	53.2	62.2	78.4	10.4%
Madhya Pradesh	34.6	38.9	41.6	41.0	50.7	63.4	77.0	14.3%
Telangana	31.5	34.3	37.3	39.1	45.1	58.4	70.0	14.2%
Odisha	23.4	24.6	28.9	32.1	38.3	52.1	67.2	19.2%
Haryana	25.0	27.3	29.3	32.1	39.0	50.2	62.6	16.5%
Andhra Pradesh	33.5	30.5	31.2	31.5	38.5	44.5	56.0	8.9%
West Bengal	29.8	30.9	32.2	30.4	35.1	40.5	50.3	9.1%
Chhattisgarh	13.6	13.9	18.2	20.0	24.8	31.9	42.9	21.2%
Delhi	19.4	22.3	22.6	22.9	27.2	30.3	40.1	12.9%
Jharkhand	13.9	14.7	17.0	17.3	20.2	25.6	34.7	16.5%
Others	60.9	69.1	81.9	88.0	100.5	116.8	128.6	13.3%

Source: CRIF Highmark, Crisil Intelligence

Maharashtra accounts for highest CE financing disbursements as of Fiscal 2025

Among states, Maharashtra accounts for the highest share (around 17%) in CE financing disbursements as of Fiscal 2025, followed by Gujarat and Rajasthan accounting for around 11% and 9% share each. Among top 15 states, Odisha witnessed the fastest growth in disbursements (around 16.3%) followed by Chattisgarh and Gujarat with 16.1% CAGR and 15.4% CAGR from Fiscal 2019-2025 respectively.

Maharashtra accounts for highest CE financing disbursements as of Fiscal 2025

State (in ₹ billions)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	CAGR (Fiscal 2019-2025)
Maharashtra	55.9	44.4	35.0	50.7	75.5	101.9	120.6	13.7%
Gujarat	32.1	26.3	25.9	33.1	53.6	62.5	75.9	15.4%
Rajasthan	35.9	27.6	29.3	35.9	49.4	59.0	65.8	10.6%
Tamil Nadu	34.7	29.7	28.6	31.8	44.3	53.7	61.6	10.0%
Uttar Pradesh	21.3	17.9	18.6	19.7	31.2	38.5	42.5	12.2%
Madhya Pradesh	22.3	18.3	17.1	18.6	25.6	32.2	33.6	7.1%
Karnataka	22.9	19.4	16.4	17.8	28.7	33.8	36.9	8.3%
Orrisa	13.3	12.5	13.9	15.9	20.3	29.5	32.8	16.3%
Haryana	16.3	15.2	13.7	19.1	23.7	30.4	33.0	12.5%
Telangana	28.9	18.1	18.1	23.9	30.5	33.9	38.8	5.0%
Andhra Pradesh	21.2	13.3	13.5	16.1	24.1	25.0	31.1	6.6%
West Bengal	17.3	15.5	12.9	12.0	15.9	19.3	23.0	4.9%
Chhattisgarh	9.5	7.7	9.6	11.0	15.0	19.0	23.3	16.1%
Delhi	12.1	11.0	8.6	9.8	12.6	15.1	19.2	8.0%
Jharkhand	9.7	7.6	7.9	7.6	11.8	13.5	17.4	10.3%
Others	40.8	36.5	37.8	41.7	50.4	59.6	61.5	7.1%

Threats and challenges in the Construction Equipment Financing Industry:

- **NBFCs serve riskier customer segment:** In terms of customer mix, banks mainly focus on large customers (contractors). In comparison, NBFCs focus mainly on retail customers, including first-time buyers (FTBs), a riskier segment.

- **Cyclical nature of Construction equipement finance Industry:** The CEF industry is inherently cyclical. A challenging macroeconomic environment and delays in execution of infrastructure projects adversely affect cash flows of borrowers. The cyclicality leads to high volatility in asset quality of financiers, impacting their profitability.

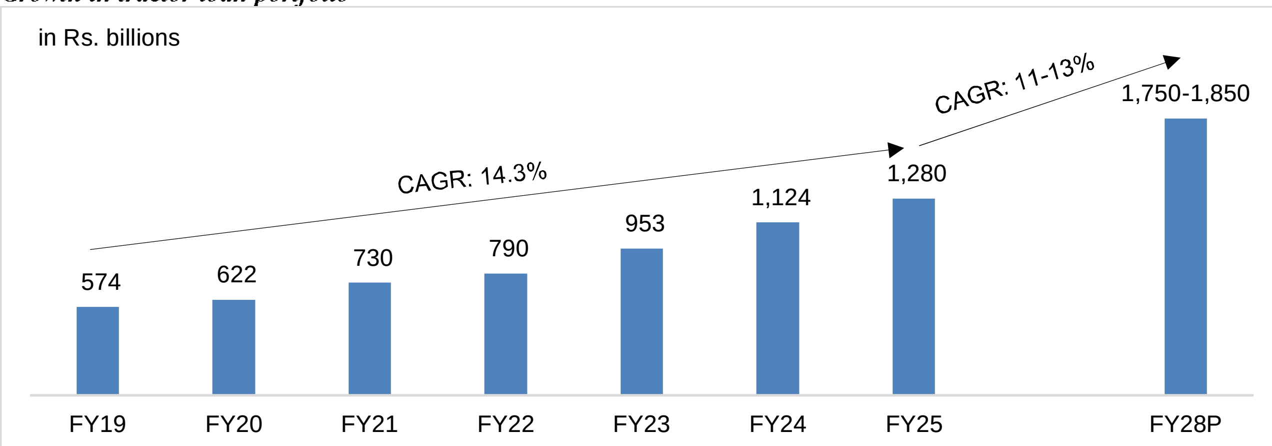
- **Repossession and resale of assets:** One of the major issues faced by NBFCs in the construction equipment financing space is the storage of repossessed equipment from loans that have turned NPAs. Loan recovery is challenging for NBFCs in the case of a default. Furthermore, the secondary market for repossessed/used construction equipment is underdeveloped in India. Thus, resale of used equipment is a challenge for construction equipment sellers.

TRACTOR LOAN FINANCING IN INDIA

Tractor financing market

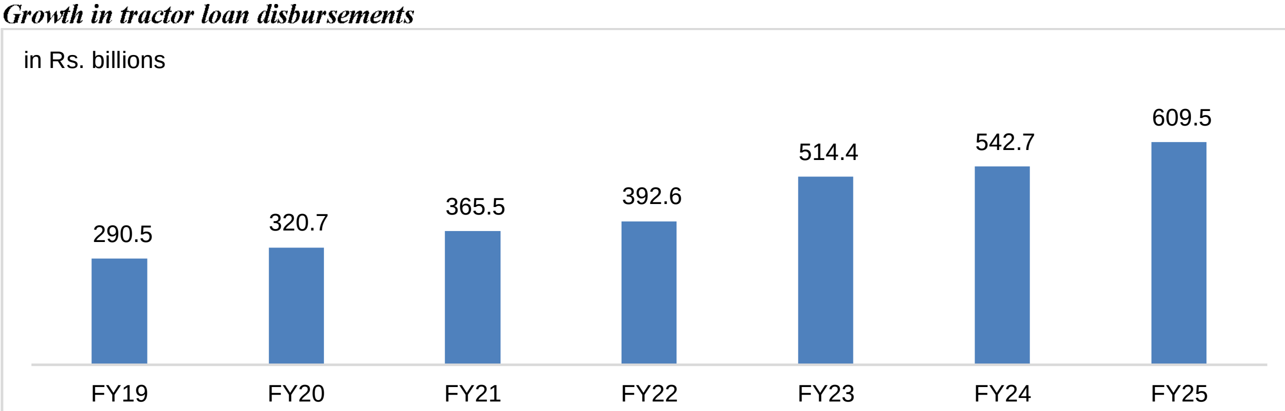
Tractor loan disbursements increased by 13.1% CAGR between Fiscals 2019 and 2025. Further, tractor loan portfolio increased at 14.3% CAGR between Fiscal 2019 and Fiscal 2025 and is expected to increase at a moderate pace of 11-13% CAGR between Fiscal 2025 and Fiscal 2028.

Growth in tractor loan portfolio



Note: P: Projected; Source: CRIF Highmark, Crisil Intelligence

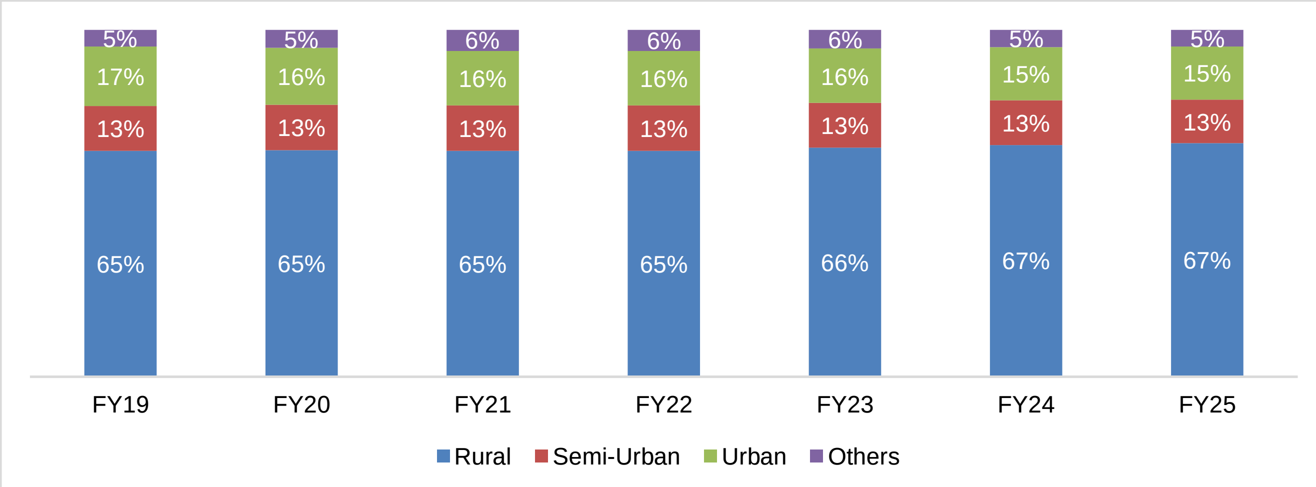
Growth in tractor loan disbursements



Source: CRIF Highmark, Crisil Intelligence

Rural and semi-urban areas together account for nearly 80% of total tractor loan portfolio as of Fiscal 2025. Additionally, tractor loan portfolio grew at a highest CAGR of 15.0% in rural areas followed by 13.5% CAGR in semi-urban areas between Fiscal 2019 and Fiscal 2025.

Rural region accounts for nearly 67% share in the tractor loan portfolio

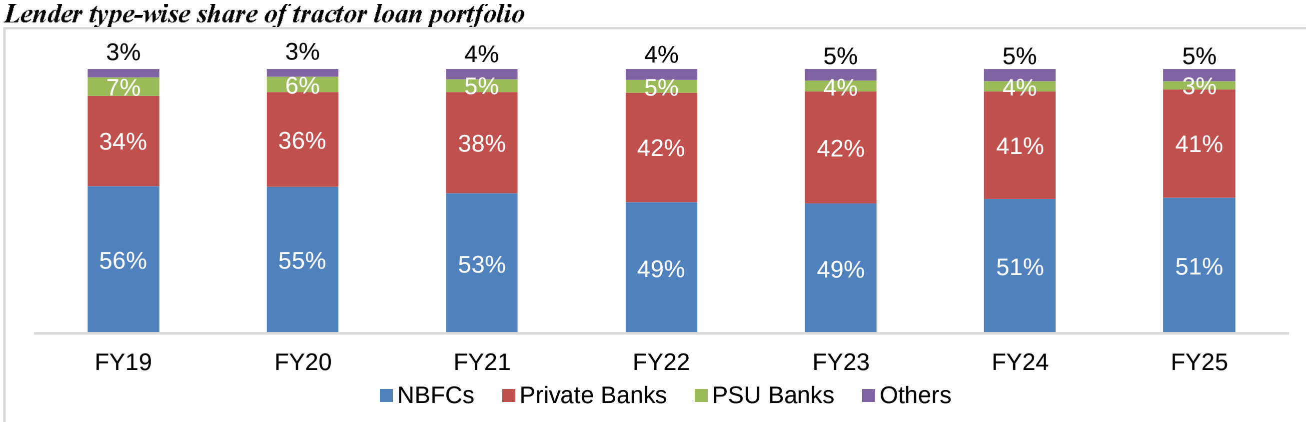


Note: P: Projected; Source: CRIF Highmark, Crisil Intelligence

NBFCs account for majority share in tractor financing

NBFCs have the largest market share of 51% as of Fiscal 2025, followed by private banks (41%).

Lender type-wise share of tractor loan portfolio



Note: Others includes other financial institutions, Small Finance Banks and foreign banks. Source: CRIF Highmark, Crisil Intelligence

Key factors which drive competitiveness of NBFCs in tractor financing

Factors favouring NBFCs

Better presence in rural markets

The tractor financing segment is increasingly becoming a stronghold of NBFCs due to their greater ability to tap rural markets by offering loans at rates much lower than those of unorganised players. Though tractor demand is majorly dependent on the rural economy and monsoon, NBFCs remain poised to dominate the tractor financing segment.

Rural demand, increasing farm mechanisation, support from the government and normal monsoon are some of the critical factors which are expected to aid tractor growth in the long term, and this will be backed by improving rural infrastructure, especially as the government continues to invest in developing rural roadways. Greater ability of NBFCs to tap specific markets and/or customer segments by offering financing at much lower rates than the unorganised sector may enable them to retain their market position. Captive players can capitalise on it to increase their share.

Eligibility requirements

NBFCs have started using alternate data and methods using technology to assess creditworthiness of borrowers due to which NBFCs can moderate certain requirements regarding land holding, income documentation, etc. and the procedure to obtain loan also becomes simpler. These factors play a vital role to attract borrowers who are majorly from rural and semi-urban areas.

Faster turnaround time

With the help of technology and on-ground presence, NBFCs have been able to reduce their turnaround time of processing tractor loan applications as compared to banks and therefore can attract customers who need immediate funding.

Flexible financing options

NBFCs provide flexible financing options to borrowers depending on each borrower's needs, harvesting pattern, and borrowers' income pattern. Further, such flexibility also helps in timely repayment from borrowers.

Threats and challenges in Tractor Financing Industry

- **Seasonal Income Dependency:** Tractor financing relies heavily on agricultural income, which is seasonal and unpredictable. Poor crop yields or irregular monsoons can affect farmers' ability to repay loans.

- **Asset Repossession Challenges:** Repossessing tractors in rural areas can be difficult due to logistical issues and resistance from local communities, leading to delayed or non-recovery of financed assets.

Creditworthiness of Borrowers: Many farmers lack formal credit histories, making it harder for lenders to assess their repayment ability accurately. This increases the risk of defaults on tractor loans.

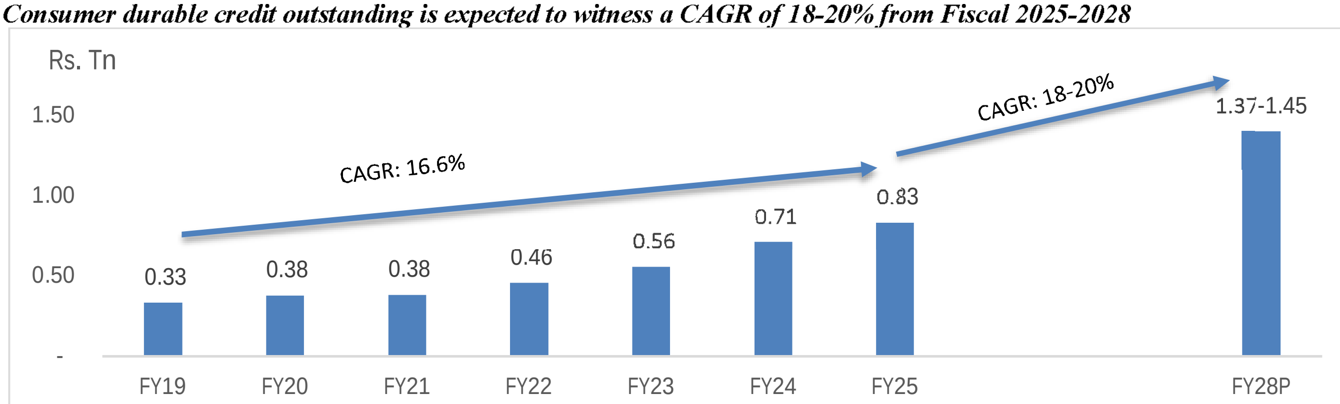
CONSUMER LENDING IN INDIA

Consumer Durable Loan

Consumer durables financing market continues the healthy momentum

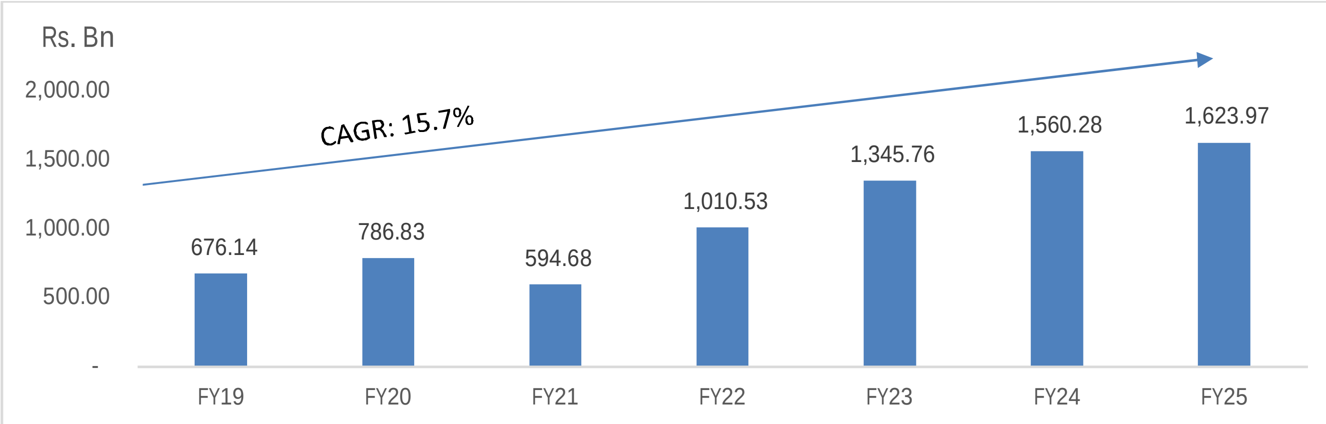
The outstanding loan book for consumer durables expanded 17% on-year to ₹0.83 trillion in Fiscal 2025. The growth momentum is expected to continue in Fiscal 2026. The healthy consumer durables credit growth in Fiscal 2025 was driven by resilient consumption and increasing financing penetration in the segment. Increased demand during the festive season also supported growth. Crisil Intelligence expects the outstanding loan book for consumer durables to grow with 18-20% CAGR between Fiscal 2025 and Fiscal 2028.

Consumer durable credit outstanding is expected to witness a CAGR of 18-20% from Fiscal 2025-2028



Source: CRIF Highmark, Crisil Intelligence

Consumer durable loan disbursement

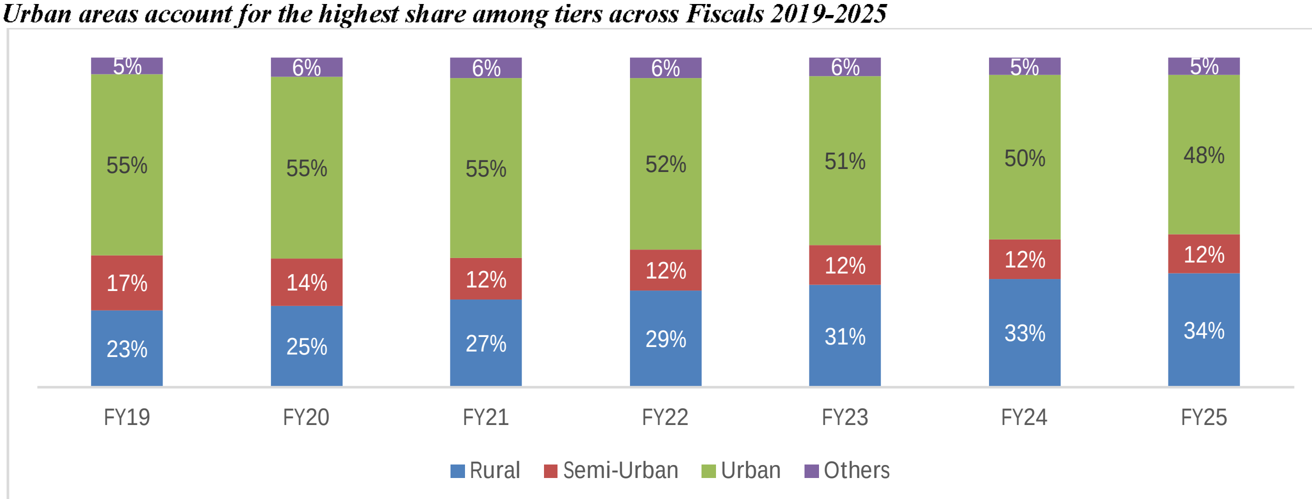


Source: CRIF Highmark, Crisil Intelligence

Urban areas account for the highest share among tiers across Fiscals 2019-2024

Urban regions account for the highest share as of Fiscal 2025, accounting for around 48% share in overall consumer durables, this was followed by rural regions accounting for around 34% share and semi-urban regions accounting for around 12% market share. From Fiscals 2019-2025, rural regions witnessed a growth in market share of 11%, outpacing urban regions which witnessed a 5% fall in market share.

Urban areas account for the highest share among tiers across Fiscals 2019-2025



Source: CRIF Highmark, Crisil Intelligence

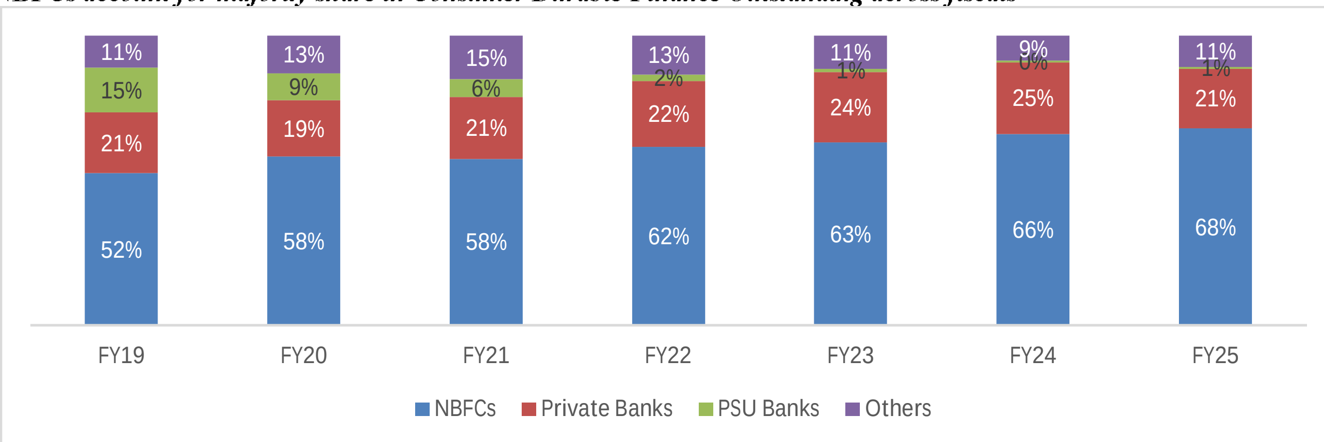
Prime and below-prime customers to support NBFCs' credit growth

Growth of NBFCs in the consumer durables financing space is led by innovative financing models and low ticket-size disbursements. NBFCs' ability to provide customised products, better customer understanding, etc. will aid them to underwrite below-prime customers as well. The major consumer base comprises Tier 2 and below cities and disbursements are primarily to prime and below-prime customers (as against higher-rated consumers). As the incremental portfolio undergoes further seasoning, asset quality will remain a key monitorable.

NBFCs account for majority share in Consumer Durable Finance Outstanding across fiscals

Among lenders, NBFCs accounted for the highest share in Consumer Durable finance outstanding (nearly 68%) as of Fiscal 2025, which was followed by private banks with around 21% market share. From Fiscal 2021 to Fiscal 2025, NBFCs have gained nearly 10% market share. Among major lenders, NBFCs witnessed the fastest growth in Consumer Durable Finance Outstanding witnessing a CAGR of approximately 22% from Fiscal 2019-2025, while private banks grew at around 16% CAGR.

NBFCs account for majority share in Consumer Durable Finance Outstanding across fiscals



Note: Others includes other financial institutions, Small Finance Banks and foreign banks, Source: CRIF Highmark, Crisil Intelligence

Among lenders, NBFCs had the lowest GNPAs across fiscals with 90+ DPD for Fiscal 2025 at 2.4% followed by Private Sector Banks with 6.1%. From Fiscal 2019-2025, NBFCs have witnessed a significant improvement in their NPA levels falling from 5.2% in Fiscal 2019 to 2.4% in Fiscal 2025.

Threats and challenges in Consumer Durable Loan Segment

- **Regulatory Challenges**: Strict regulatory requirements and compliance standards can limit the approval and disbursement of loans, adding complexity to operations and increasing the administrative burden on lenders to adhere to changing guidelines.

- **Market Competition**: Intense competition from new age fintech companies pressures traditional lenders to innovate continuously, offer better terms, and improve customer experiences to maintain market share.

- **Technology and Fraud Risk**: Increased reliance on digital processes exposes lenders to a higher risk of cyber threats and fraud, necessitating robust cybersecurity measures and continuous monitoring to safeguard customer and company data effectively.

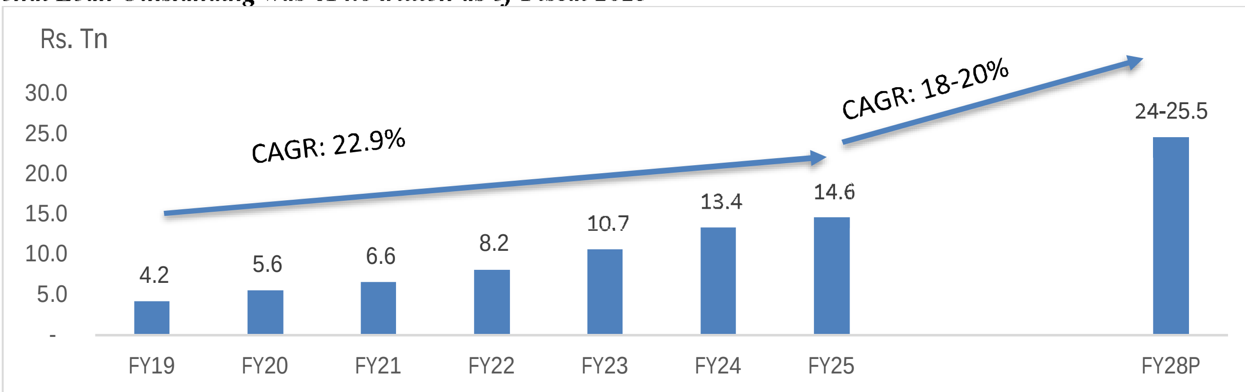
PERSONAL LOANS

Strong disbursements especially from NBFCs led to robust personal loan book growth in Fiscal 2025

The amount of personal loans outstanding has increased from ₹4.2 trillion in fiscal 2019 to ₹14.6 trillion in Fiscal 2025 at a CAGR of approximately 22.9%, driven by the rise in new age lenders, increasing lender focus on Tier 1 customers and beyond and a structural shift to a consumption driven economy. Personal loan outstanding is likely to reach around ₹24-25.5 trillion in Fiscal 2028.

This growth is likely to be driven by healthy momentum in banks supported by their higher customer base in Tier 1 cities. Parallelly, NBFCs would also continue to display aggressive growth in their personal loan book. NBFCs build their retail book through lower ticket-size personal loans and focus on growth in Tier 2 and below cities. Banks focus on the salaried middle-age group borrowers and have a higher share in Tier 1 cities as compared with NBFCs. End use of the personal loan can range from education loan, medical loan, travel loan, marriage loan, loan for self-employed, and other categories as personal loans are unsecured in nature with minimal or no end-use monitoring.

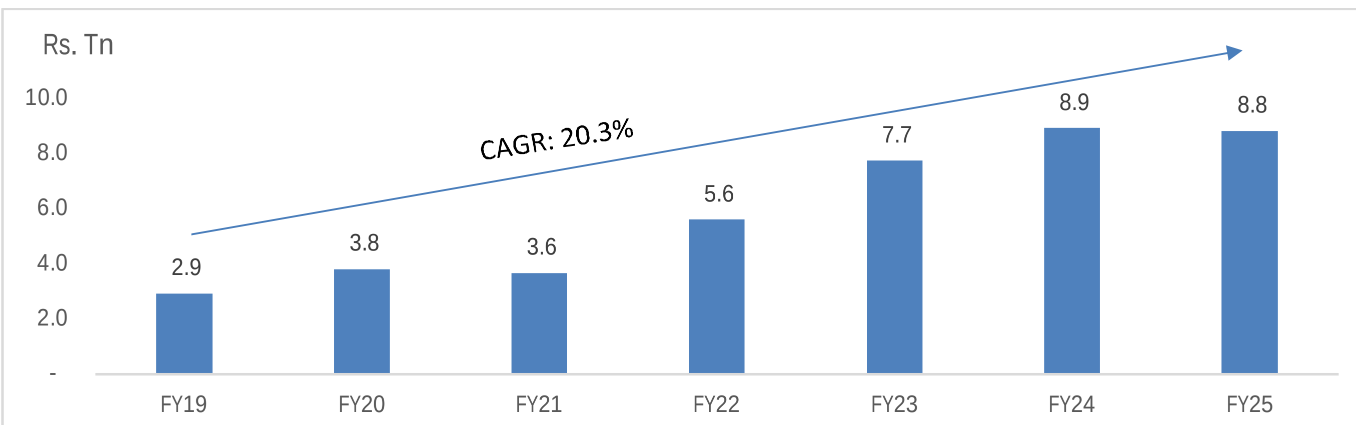
Personal Loan Outstanding was ₹14.6 trillion as of Fiscal 2025



Note: P – Projected, Source: CRIF Highmark, Crisil Intelligence

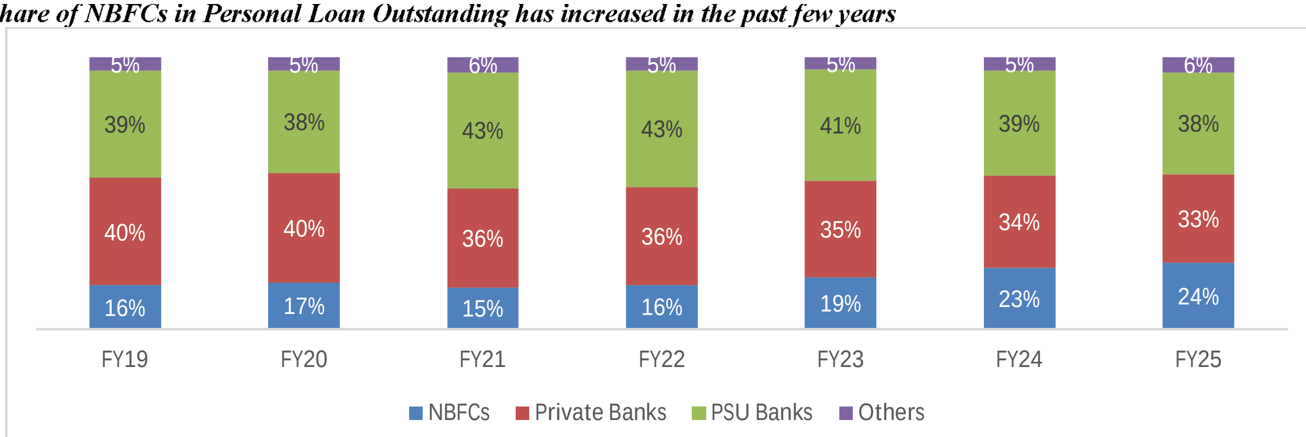
The personal loan industry witnessed a CAGR of 22.9% from fiscal 2019 to 2025, exhibiting credit expansion across both banking institutions and Non-Banking Financial Companies (NBFCs). This positive trajectory was underpinned by the emergence of financial technology (fintech) companies and digital platforms.

Personal Loan Disbursement was ₹8.8 trillion as of Fiscal 2025, witnessing a CAGR of approximately 20.3% from Fiscal 2019



Source: CRIF Highmark, Crisil Intelligence

Share of NBFCs in Personal Loan Outstanding has increased in the past few years



Note: "Others" includes other financial institutions, Small Finance Banks and foreign banks.
Source: CRIF Highmark, Crisil Intelligence

Threats and challenges in Personal Loan Segment

The unsecured nature of loans may lead to asset quality concerns.

Personal loans are unsecured in nature and carry very high risk for lenders. In case of defaults by borrowers, it becomes very difficult for the lenders to recover the loan amount, and therefore NPAs in the segment are quite high as compared to other segments. This may affect the overall profitability of lenders. From an asset-quality perspective, higher caution is required for non-bank lenders since GNPAs continue to be elevated. With focused high double-digit growth in unsecured loans, lenders need to be cautious when onboarding loans with a weaker credit profile to prevent asset quality deterioration or higher write-offs. Higher inflation, coupled with stagnant income, could also cramp a borrower's repayment capability.

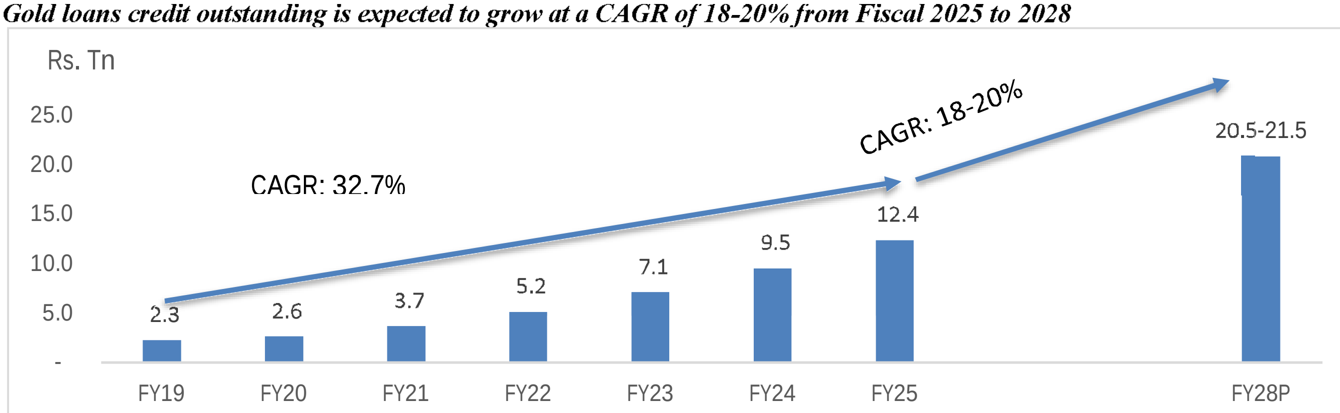
The exuberant growth and entailing risks

Ease of borrowing, innovative products such as travel now, pay later (TNPL), no-cost equated monthly instalments, burgeoning lifestyle expenses, etc., have contributed significantly to the rise in demand for personal loans. For personal loans, improved underwriting capabilities of banks and NBFCs (including fintechs), due to better availability of information and technology, have been the primary growth drivers. Personal loans are inherently riskier due to the absence of collateral, which means in cases of borrower default, the lender's ability to recover the outstanding amount is compromised.

In addition, the rise in personal loans was also driven by overleveraging of borrowers in addition to tapping new customers. This overleveraging at the borrower end could augment asset quality vulnerability.

GOLD LOANS

Gold loans credit outstanding is expected to grow at a CAGR of 18-20% from Fiscal 2025 to 2028



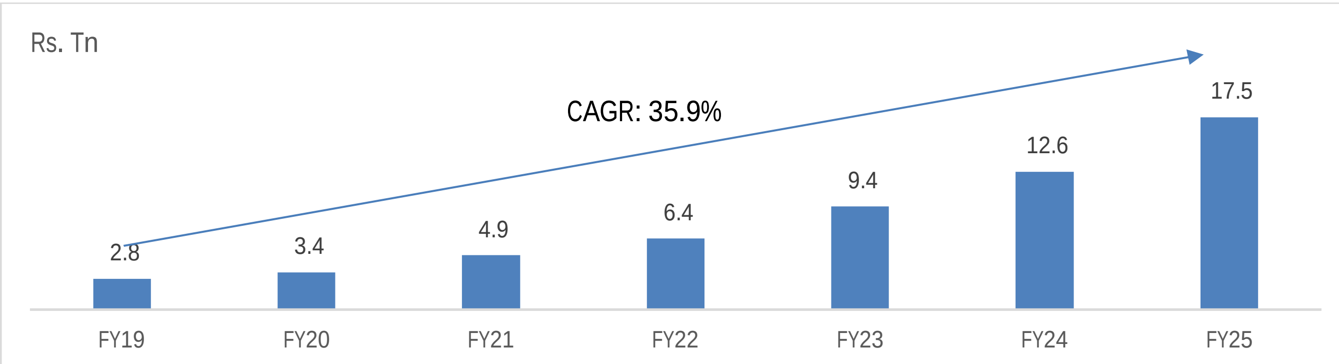
Source: CRIF Highmark, Crisil Intelligence

The gold loan sector is still largely catered by unorganised players with potential for new entrants to enter the market and create space. Gold loans are typically small ticket, short duration, convenient and instant credit, and are typically sourced and serviced through a physical branch infrastructure. Moreover, the gold loan product and customer segment are adjacent to the small ticket financing segment for both consumers and small businesses alike. Going forward, Crisil Intelligence believes the following factors are expected to support industry growth:

- Scope to capture share from unorganised gold loan financiers.
- Initiatives to increase awareness and increasing comfort of customers with gold loans due to the convenience.
- Geographic diversification to markets beyond the southern part of India.

Demand for gold loans from micro enterprises and individuals to fund working capital and personal requirements is expected to increase owing to the pickup in economic activity. In addition, with demand reviving and market expansion through doorstep gold loans model, Crisil Intelligence expects gold loan credit outstanding to grow at a CAGR of 18-20% from Fiscal 2025 to 2028.

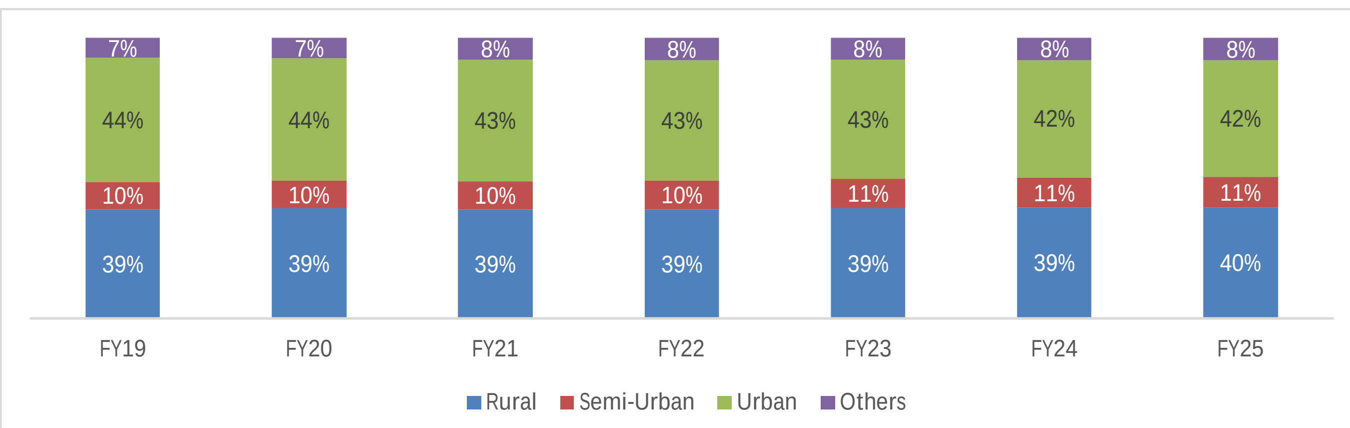
Gold loan disbursement witnessed a CAGR of approximately 36% from Fiscal 2019 to Fiscal 2025, with disbursement in Fiscal 2025 at ₹17.5 trillion.



Source: CRIF Highmark, Crisil Intelligence

Gold loans disbursement has witnessed a huge uptick in the past five fiscals, with disbursements growing at a CAGR of approximately 36% from Fiscal 2019 to Fiscal 2025, with ₹17.5 trillion disbursements as of Fiscal 2025 from ₹2.8 trillion in Fiscal 2019.

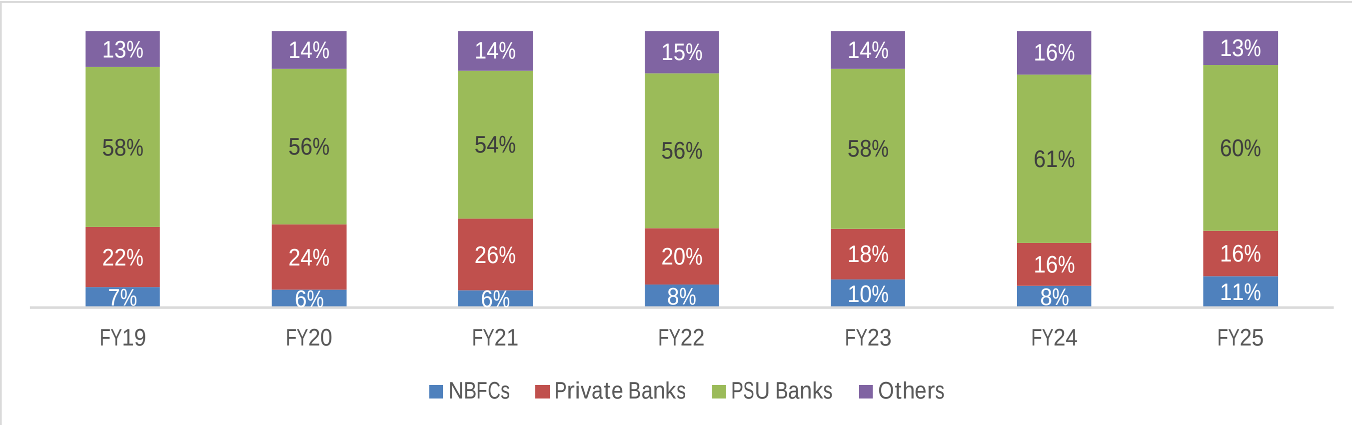
Urban regions accounted for around 42% share of overall gold loan credit outstanding as of Fiscal 2025



Note: "Others" includes Small Finance Banks and foreign banks.
Source: CRIF Highmark, Crisil Intelligence

Among tier brackets, urban regions accounted for nearly 42% share in overall gold loan credit outstanding which was followed by rural regions accounting for nearly 40% market share and semi-urban regions accounting for nearly 11% market share. During the last five fiscals, urban regions have lost nearly 2% market share which was primarily captured by semi-urban regions.

NBFCs account for nearly 11% share in overall gold loans credit, with Public Sector Banks accounting for the highest share



Note: "Others" includes Small Finance Banks and foreign banks.
Source: CRIF Highmark, Crisil Intelligence

Threats and challenges in Gold Loan Segment

- **Price Volatility of Gold:** Fluctuations in gold prices can significantly impact loan security and lenders' risk exposure. Declines in gold value reduce collateral strength, raising the risk of losses on defaulted loans.

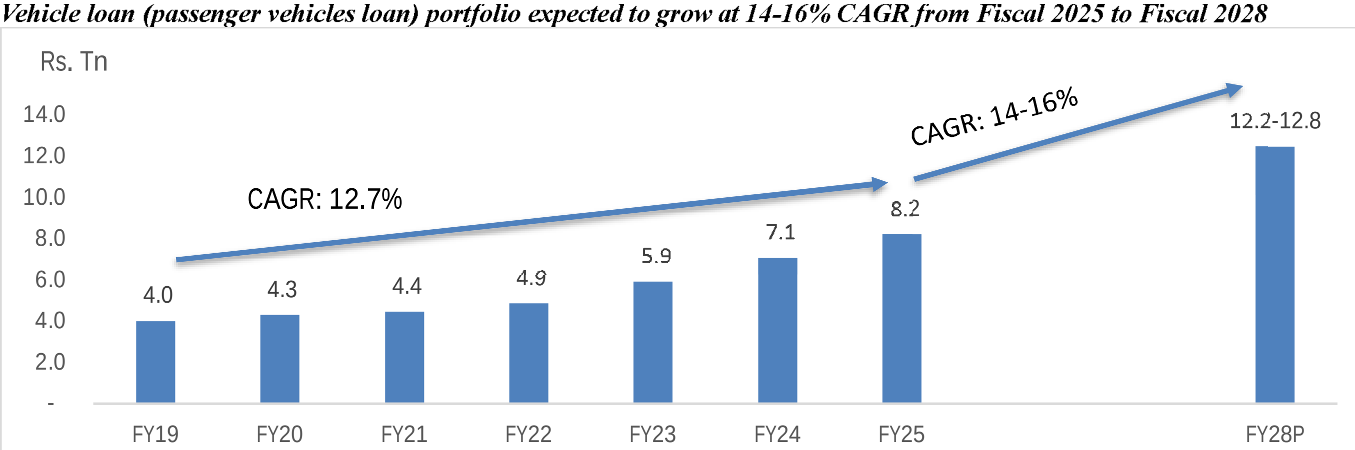
- **Regulatory Oversight and Compliance:** Stringent regulations and periodic changes in guidelines require gold loan providers to maintain high compliance standards. This adds operational complexities and can restrict certain lending practices.

- **Competition from Informal Lenders:** Local and unregulated lenders offer quick, often more flexible, gold loans, posing competition to formal financial institutions and making it harder to maintain competitive pricing.

- **Risk of Loan Defaults and Fraud:** Gold loan providers face risks of fraud through fake or impure gold collaterals, as well as default risks from borrowers. Robust valuation and verification processes are essential to mitigate these threats

NEW PASSENGER VEHICLE FINANCING MARKET

Vehicle loan (passenger vehicles loan) portfolio expected to grow at 14-16% CAGR from Fiscal 2025 to Fiscal 2028



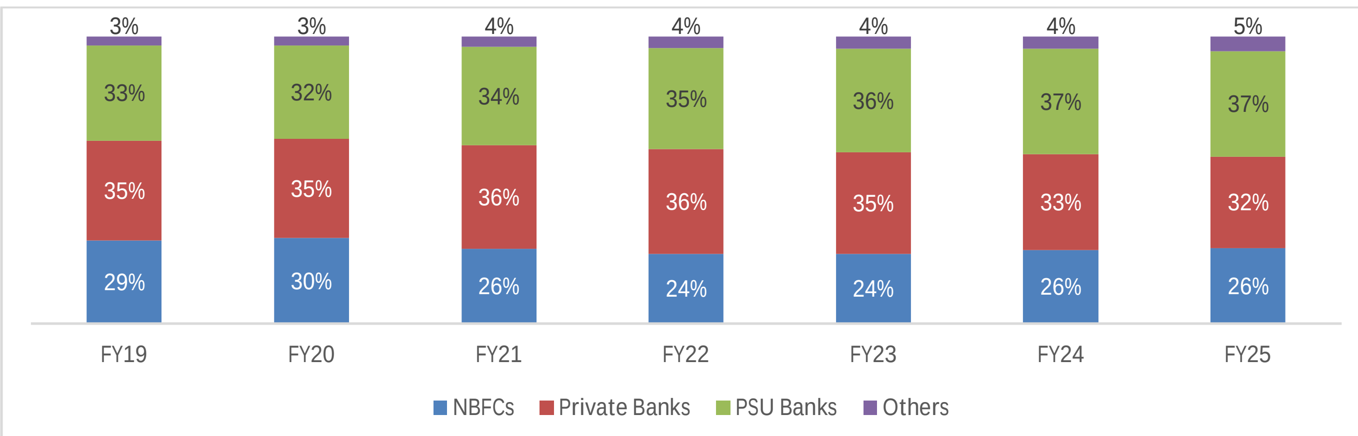
Note: The above data includes lending portfolio of new passenger vehicles.
Source: CRIF Highmark, Crisil Intelligence

Passenger vehicle loan portfolio witnessed 12.7% CAGR between Fiscal 2019 to Fiscal 2025. In Fiscal 2023, passenger vehicle segment grew by 21.9% year-on-year due to improvement in economic activities of the post-COVID period. In Fiscal 2024 and Fiscal 2025, the passenger vehicle loan portfolio grew by 19.8% and 15.6% respectively due to increasing finance penetration. Crisil Intelligence estimates finance penetration for passenger vehicles to be between 75% to 80%, which is expected to improve in the upcoming years.

NBFC's ability to tap markets not serviced by Banks is expected to help them gain an edge

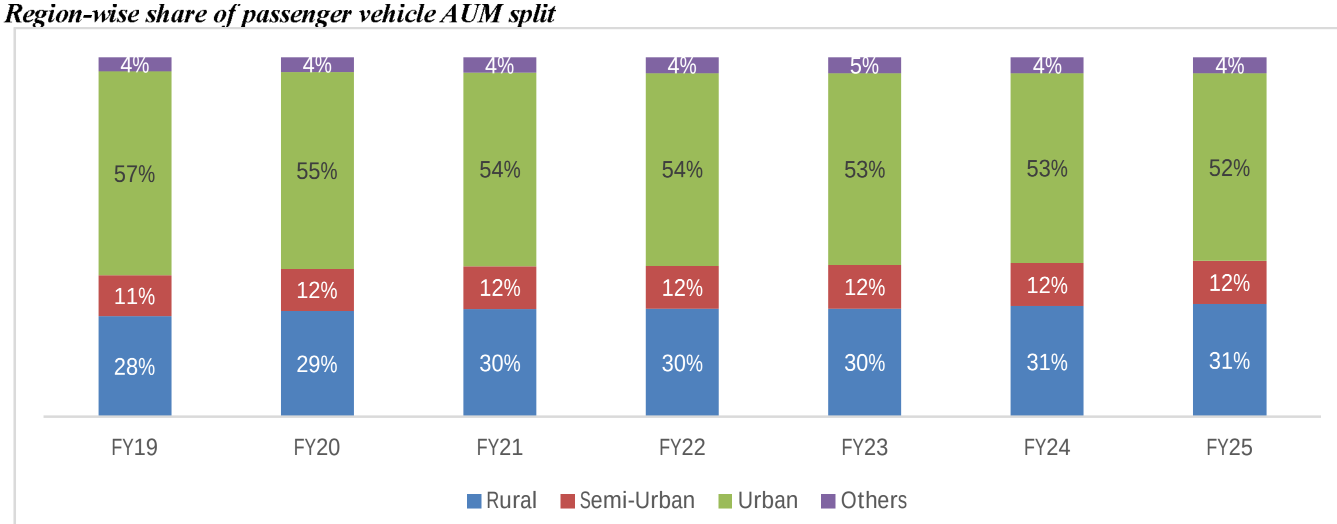
Over the years, banks have gained further inroads into the new-PV financing market, grabbing significantly greater share from non-captive NBFCs as captives have been able to maintain share with their superior connect to customers through their dealerships. Auto loans will be a favoured option for both banks and NBFCs with the consideration that new PVs carry low risk. Also, delinquencies in this segment are low considering a better consumer profile, leading to banks becoming more aggressive in this segment. NBFCs have more penetration in the rural and semi-urban parts of the country. Thus, they can tap markets, which otherwise will not be accessible through banking channels.

Lender-wise share of passenger vehicle loan portfolio



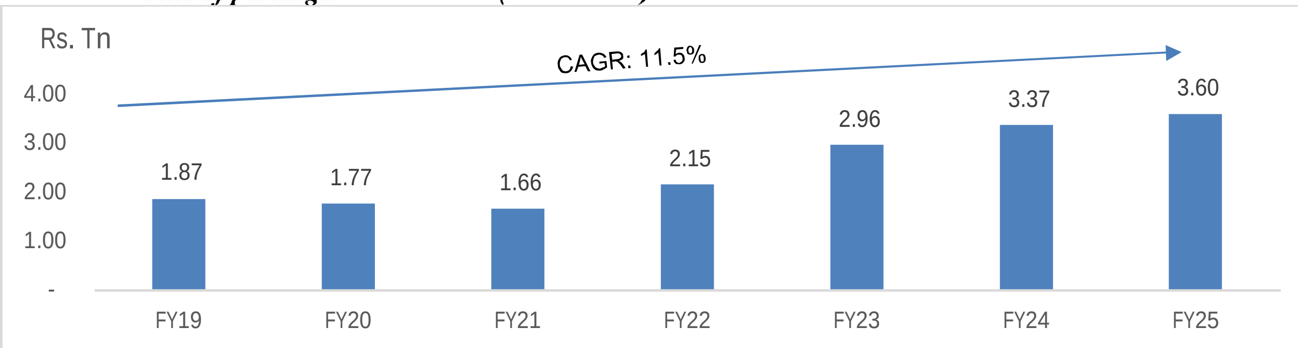
Note: The above data includes lending portfolio of new passenger vehicles. "Others" includes Small Finance Banks and foreign banks.
Source: CRIF Highmark, Crisil Intelligence

Region-wise share of passenger vehicle AUM split



Note: The above data includes lending portfolio of new passenger vehicles.
Source: CRIF Highmark, Crisil Intelligence

Disbursement trend of passenger vehicle loans (in ₹ trillions)



Note: The above data includes lending portfolio of new passenger vehicles.
Source: CRIF Highmark, Crisil Intelligence

Threats and challenges in Passenger Vehicle Loan Segment

- **Market Competition and Interest Rate Pressure:** Intense competition among banks, NBFCs, and fintechs drives down interest rates, squeezing profit margins. Lenders must offer competitive terms to attract customers, affecting revenue growth.

- **Vehicle Depreciation and Resale Risk:** The rapid depreciation of vehicle value reduces the collateral strength, especially in the case of defaults. Poor resale values can lead to significant losses for lenders in repossession cases

- **Credit Risk and Loan Default:** Economic uncertainty and job instability increase the likelihood of loan defaults, impacting lenders' profitability. Borrowers with lower creditworthiness pose higher risks, requiring stringent credit assessments.

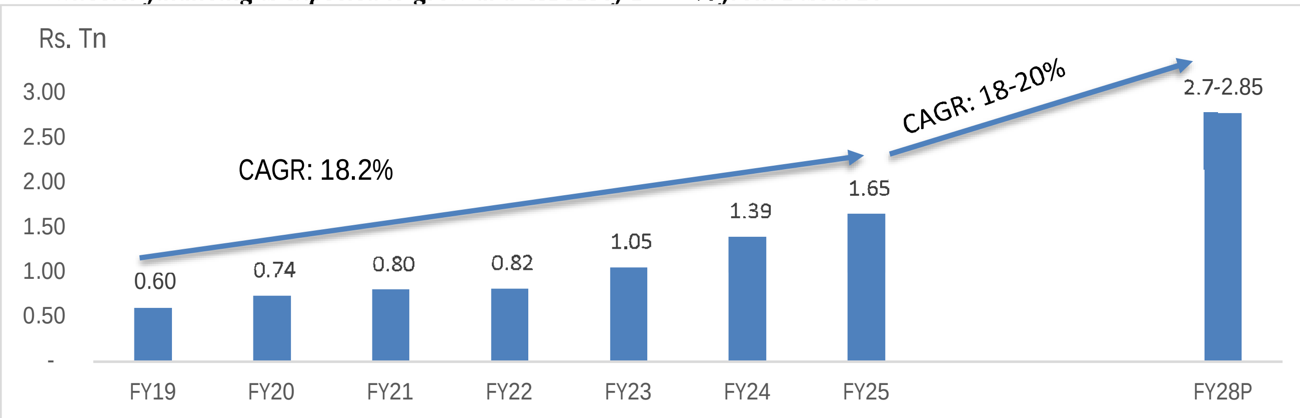
TWO-WHEELER LOANS

Two-wheeler domestic sales grew by approx. 9% to reach sales volume of 19.6 million units in Fiscal 2025. Two-wheeler volumes are expected to improve by 7-9% in Fiscal 2026 on account of recovery of rural market sales aided by healthy crop prices and incomes finally catching up with the hike in vehicle prices and pent-up replacement demand. Furthermore, the introduction of electric scooter models by OEMs is also helping drive volumes.

Two-wheeler financing market

Two-wheeler financing witnessed a CAGR of 18.2% from Fiscal 2019 to Fiscal 2025, reaching ₹1.65 trillion in Fiscal 2025. During the fiscals, growth in two-wheeler financing was robust in Fiscal 2020 and Fiscal 2021, witnessing a year-on-year growth of around 22% and 9%, respectively, while growth completely slowed down in Fiscal 2022 primarily due to the COVID-19 pandemic and lockdowns across the nation, with outstanding growing at 2% in Fiscal 2022. Post-Fiscal 2022 financing again picked up pace with outstanding growing at approximately 29% in Fiscal 2023 and 32% in Fiscal 2024 from the past Fiscal respectively. By Fiscal 2025, outstanding touched ₹1.65 trillion growing by 18% year-on-year. Going forward, two-wheeler financing is expected to grow at a CAGR of 18-20% from Fiscal 2025 to Fiscal 2028 and is expected to reach ₹2.70-2.85 trillion by Fiscal 2028. Crisil Intelligence expects two-wheeler finance penetration at 35-40% as of Fiscal 2026.

Two-wheeler financing is expected to grow at a CAGR of 18-20% from Fiscal 2025 to Fiscal 2028



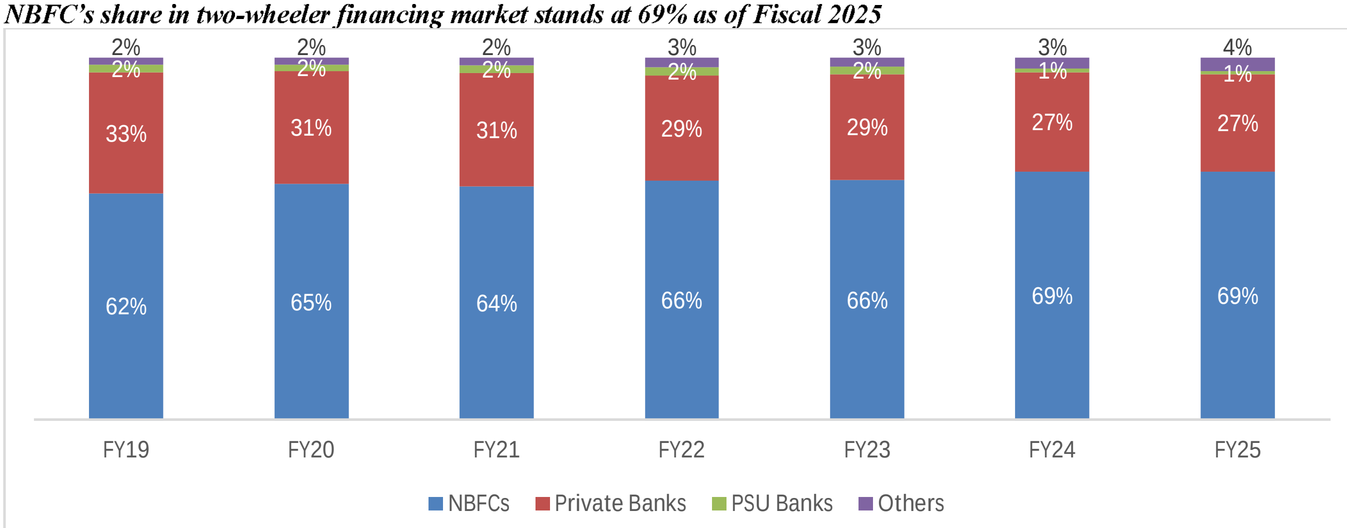
Note: P: Projected, Source: CRIF Highmark, Crisil Intelligence

NBFCs account for the highest share in two-wheeler financing across Fiscal 2019 – Fiscal 2025

The two-wheeler financing segment is increasingly becoming a stronghold of NBFCs due to their greater ability to tap rural markets by offering loans at rates much lower than those of unorganised players. The limited presence of banks in rural markets also helps them. Though weaker demand sentiments have delayed their expansion, NBFCs remain poised to dominate the two-wheeler financing segment this fiscal as well as banks are likely to tread the space carefully.

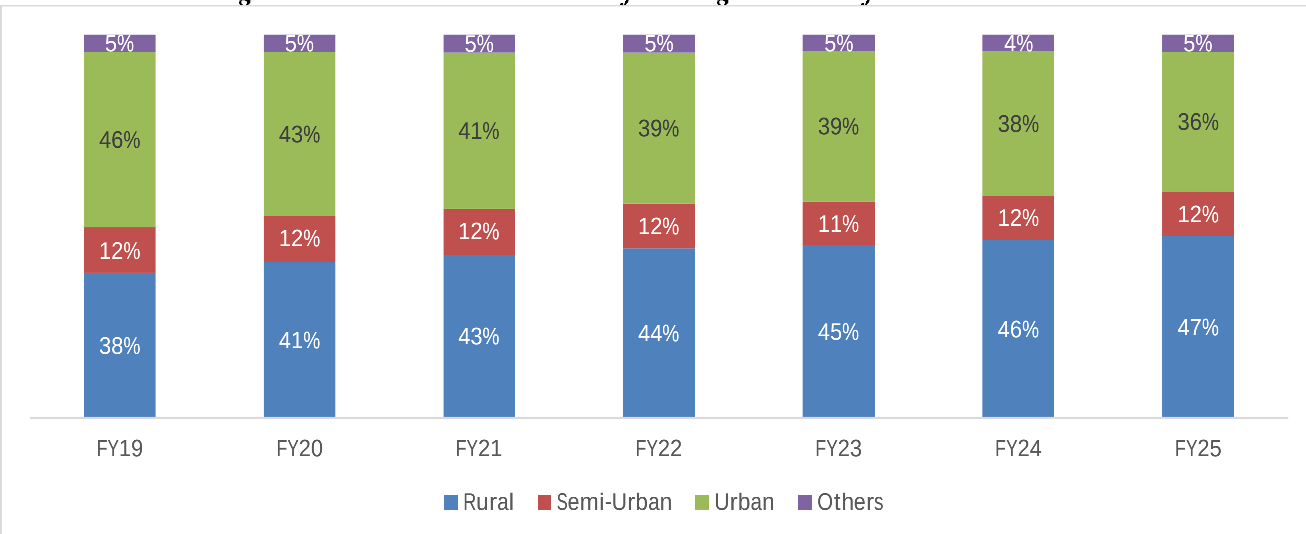
NBFCs accounted for highest share in credit outstanding among lenders, accounting for 69% as of Fiscal 2025, rising from 62% market share in Fiscal 2019, followed by private sector banks accounting for second highest share (27%) as of Fiscal 2025, declining from 33% in Fiscal 2019. The under-penetrated rural market will be the key growth segment for NBFCs. Rising income will be further aided by better rural connectivity and rising participation of women in both urban and rural areas.

NBFC's share in two-wheeler financing market stands at 69% as of Fiscal 2025



Note: "Others" includes other financial institutions, Small Finance Banks and foreign banks.
Source: CRIF Highmark, Crisil Intelligence

Rural areas have the highest market share in two-wheeler financing market as of Fiscal 2025

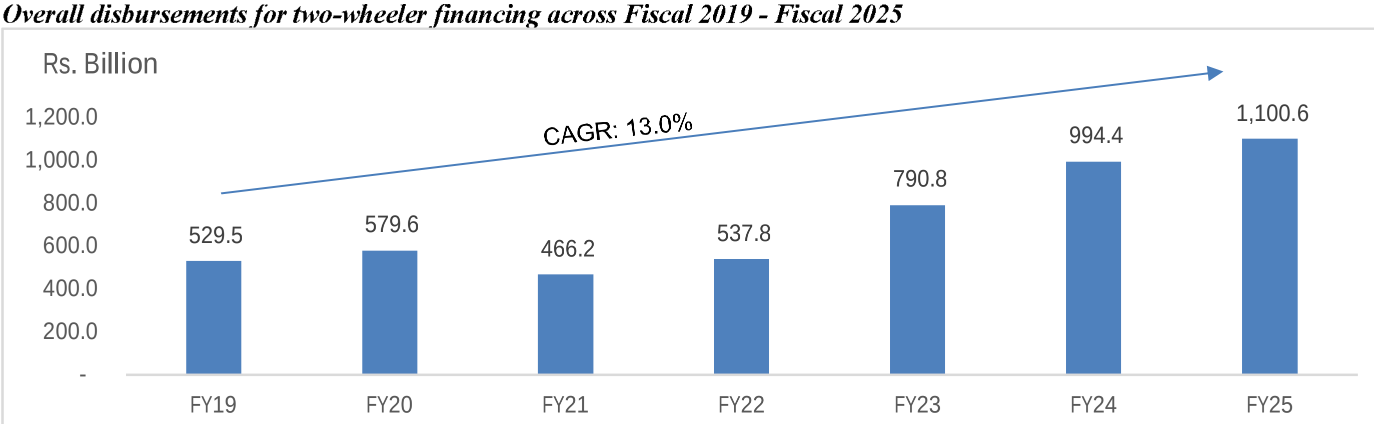


Source: CRIF Highmark, Crisil Intelligence

Overall two-wheeler disbursements increased by 10.7% in Fiscal 2025

Overall disbursements decreased by 20% year-on-year in Fiscal 2021 on account of the COVID-19 pandemic. In Fiscal 2022 and Fiscal 2023, overall disbursements increased by 15.4% and 47.0% year-on-year, respectively. In Fiscal 2024 and Fiscal 2025, overall disbursements grew at a slower growth of 25.8% and 10.7% respectively.

Overall disbursements for two-wheeler financing across Fiscal 2019 - Fiscal 2025



Source: CRIF Highmark, Crisil Intelligence

Threats and challenges in Two-wheeler Loan Segment

- **High Default Risk:** Two-wheeler loans often target low-income or first-time borrowers, leading to a higher risk of defaults. Economic fluctuations can worsen repayment challenges, impacting the overall loan portfolio quality.

- **Intense Market Competition:** Heavy competition from banks, NBFCs, and fintechs results in lower interest rates and thin profit margins. Lenders face pressure to provide favorable terms and flexible options to attract borrowers.

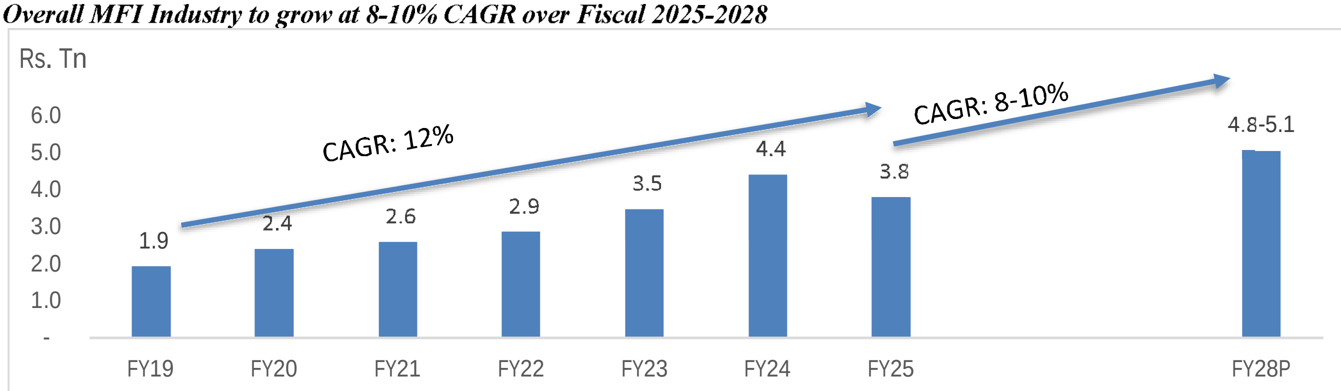
- **Vehicle Depreciation and Limited Resale Value**: Two-wheelers depreciate quickly, reducing their value as collateral. This creates challenges in recovering loan amounts through repossession and resale in case of defaults.

MICROFINANCE INDUSTRY

Rising penetration to support continued growth of the industry

With economic revival and unmet demand in rural regions, Crisil Intelligence expects the overall MFI portfolio size to grow at CAGR of 8-10% between Fiscals 2025 and 2028. Key drivers for the superior growth outlook include increasing penetration into the hinterland and expansion into newer states, faster growth in the rural segment, increase in average ticket size and higher usage of support systems such as credit bureaus. The presence of self-regulatory organisations, such as MFIN and Sa-Dhan, is also expected to support the sustainable growth of the industry going forward. Moreover, household credit is a huge untapped market for the MFI players. The country has seen household credit penetration via MFI loans rising, but it is still on the lower side.

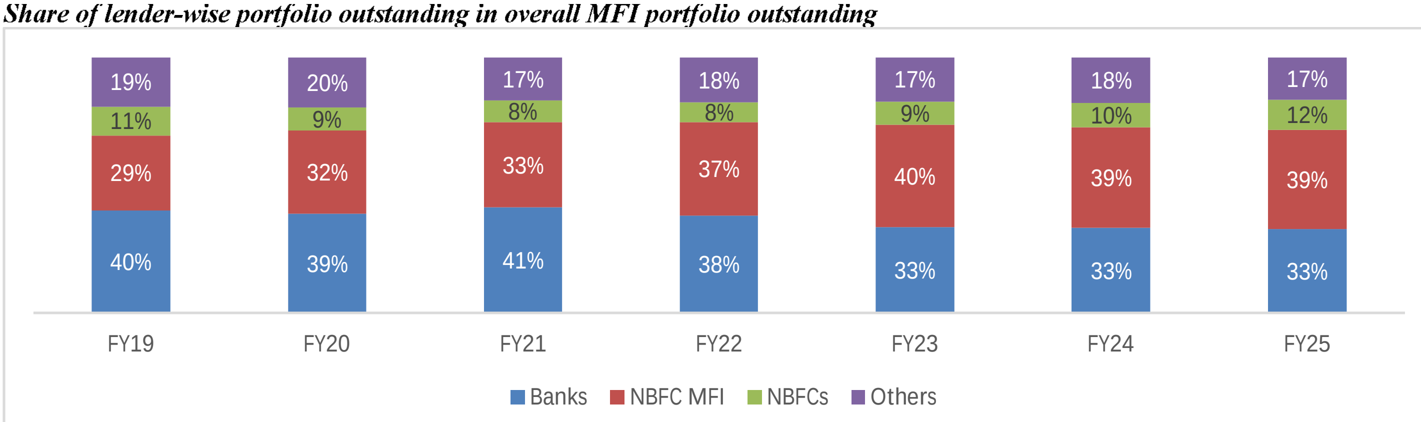
Overall MFI Industry to grow at 8-10% CAGR over Fiscal 2025-2028



Source: CRIF Highmark, Crisil Intelligence

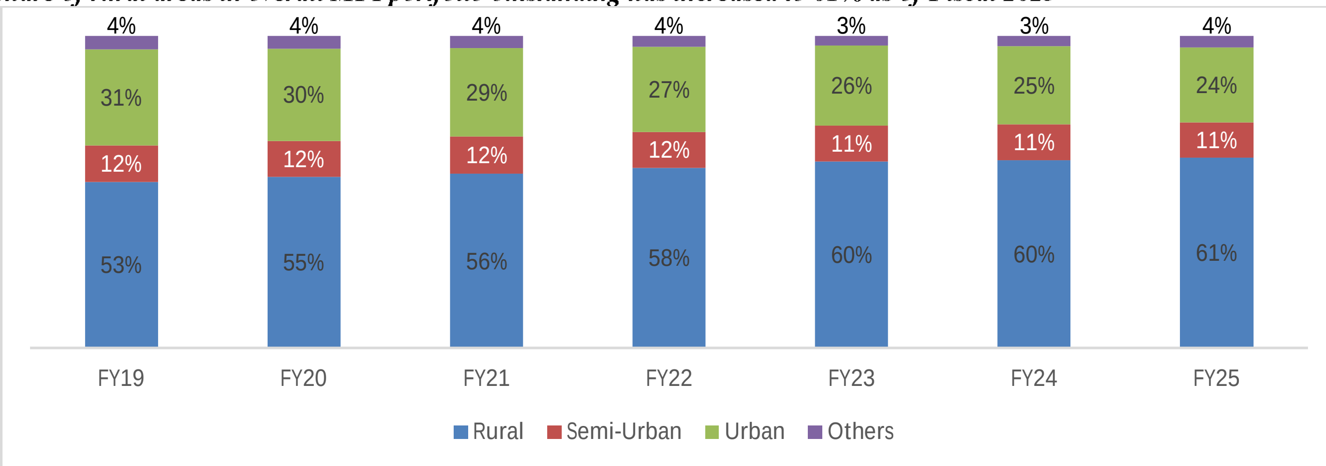
NBFCs' MFI have the highest share of overall MFI loan outstanding, which increased from 29% in Fiscal 2019 to 39% in Fiscal 2025. Banks have lost a minor share in MFI loans because of NBFCs' MFI prioritizing customer needs, ensuring quick turnaround times, delivering excellent customer service, and expanding their geographic reach. Crisil Intelligence expects the competitive positioning of NBFCs' MFI to remain strong, given their strong target customer and product focus.

Share of lender-wise portfolio outstanding in overall MFI portfolio outstanding



Note: "Others" includes other financial institutions, Small Finance Banks and foreign banks.
Source: CRIF Highmark, Crisil Intelligence

Share of rural areas in overall MFI portfolio outstanding has increased to 61% as of Fiscal 2025



Source: CRIF Highmark, Crisil Intelligence

Threats and challenges in Microfinance Industry:

- **Financial literacy**: People in rural areas often lack financial knowledge and therefore having transaction with them and making them understand terms and conditions of loan products become challenging.

- **Over-indebtedness**: Due to lack of adequate financial literacy, the industry is susceptible to borrowers failing to manage their debt properly which leads to over-indebtedness and adversely impacts repayment capabilities particularly in geographical areas that are highly penetrated.

- **Higher NPAs**: Since micro loans are unsecured, risk of credit loss increases. Moreover, NPAs are higher in microfinance sector as compared to housing, vehicle, etc. owing to customer profile.

- **Prone to external shocks**: Historically, Micro borrowers have been prone to socio-economic and environmental disturbances which significantly impact their repayment capabilities.

- **Cost of outreach**: Reaching rural areas and servicing small loan amounts involve high cost of operations. Setting-up branches and/or having partnership with agents, high disbursement and collection cost involved (employees need to visit remote villages for sourcing and collection of small loan amounts which increase the transportation cost) increase the overall cost of MFIs focusing in rural areas.

- **Technological challenges**: People in rural areas are not so tech savvy to understand and carry out banking transactions and therefore requirement of manual involvement is more which is time consuming and also increases the cost.

- **Dominance of Cash Transactions**: Cash transactions continue to be the dominant mode of loan repayments in the microfinance sector. The reliance on cash-based repayments can be prone to errors and increase the risk of frauds, posing challenges for microfinance lenders in maintaining accurate records and reducing operational complexities.

PEER BENCHMARKING

Peer Comparison of HDB Financial Services Limited

For Peer Benchmarking, the following NBFCs were considered as peers for HDB Financial Services Limited (“HDB Financial”): Aditya Birla Finance Limited, Bajaj Finance Limited, Cholamandalam Investment and Finance Company Limited, L&T Finance Limited, Mahindra & Mahindra Finance, Shriram Finance Limited, Sundaram Finance Limited and Tata Capital Limited.

Size of Peers

Peers	AUM (₹ billions)					Market Share (%) Fiscal 2025#
	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	CAGR Fiscal 2022-Fiscal 2025	
Aditya Birla Finance Limited$	551.8	805.6	1,056.4	1,263.5	31.81%	2.61%
Bajaj Finance Ltd	1,467.4	1,810.0	2,448.3	3,088.3	28.15%	6.38%
Cholamandalam Investment and Finance Company Ltd	829.0	1,127.8	1,537.2	1,847.5	30.62%	3.82%
HDB Financial Services Limited	614.4	700.8	902.3	1,072.6	20.41%	2.22%
L&T Finance Limited*	883.4	808.9	855.6	977.6	3.44%	2.02%
Mahindra & Mahindra Finance	798.0	995.7	1,025.9	1,196.7	14.46%	2.47%
Shriram Finance Ltd	1,270.4	1,856.8	2,248.6	2,631.9	27.48%	5.44%
Sundaram Finance Ltd	295.3	345.5	439.9	514.8	20.35%	1.06%
Tata Capital Ltd*	560.4	829.9	1,092.7	NA	NA	NA

*Note: Data is on standalone basis; * - Outstanding gross loan book, Fiscal 2022 numbers are not restated for merger of TCFSL and TCCL with TCL and hence not comparable. For Tata Capital Limited, Shriram Finance Limited and L&T Finance Limited, Fiscal 2024 and Fiscal 2023 data are not comparable with Fiscal 2022 data owing to their respective corporate restructuring exercises. # - Market share fiscal 2025 = ratio of fiscal 2025 AUM of the respective companies and overall NBFC credit for fiscal 2025. $ - Fiscal 2025 data for Aditya Birla Finance are of Aditya Birla Capital.*
Source: Company Reports, Crisil Intelligence

Profit after tax of Peers

Peers	PAT (₹ billions)				
	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	CAGR Fiscal 2022-Fiscal 2025
Aditya Birla Finance Limited	11.1	15.5	22.2	29.6$	38.70%
Bajaj Finance Ltd	63.5	102.9	126.4	166.6	37.92%
Cholamandalam Investment and Finance Company Limited	21.5	26.7	34.2	42.6	25.65%
HDB Financial Services Limited	10.1	19.6	24.6	21.8	29.09%
L&T Finance Limited	8.1^	19.2	22.9	26.2	47.97%
Mahindra & Mahindra Finance	9.9	19.8	17.6	23.5	33.36%
Shriram Finance Ltd	27.1#	59.8	71.9	97.6	53.33%
Sundaram Finance Ltd	9.0	10.9	14.5	15.4	19.53%
Tata Capital Ltd	8.2*	23.2	24.9	25.9	46.97%

Note: Data is on standalone basis. For Tata Capital Limited, Shriram Finance Limited and L&T Finance Limited, Fiscal 2024 and Fiscal 2023 data are not comparable with Fiscal 2022 data owing to their respective corporate restructuring exercises.
**Figures for Fiscal 2022 pertain to former TCFSL (Tata Capital Financial services Limited) prior to its merger with Tata Capital Limited*
^Figures for Fiscal 2022 are of former L&T Finance prior to its merger with L&T Finance holdings (Now L&T Finance Limited)
#Figures for Fiscal 2022 pertain to Shriram Transport finance prior to its merger(Now Shriram Finance Limited)
$Figures for Fiscal 2025 for Aditya Birla Finance are of Aditya Birla Capital.
Source: Company Reports, Crisil Intelligence

Gross loan book of Peers

HDB Financial is seventh largest leading, diversified retail non-banking financial company (“**NBFCs**”) in India in terms of the size of gross loan book at ₹902.2 billion in Fiscal 2024 amongst its NBFC peers.

	Gross Loan Book (₹ billions)				
Peers	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	CAGR Fiscal 2022-Fiscal 2025
Aditya Birla Finance Limited	546.8	804.5	1,056.9	NA	NA
Bajaj Finance Ltd	1,482.1	1,829.4	2,478.5	NA	NA
Cholamandalam Investment and Finance Company Limited	761.1	1,070.8	1,469.5	1,853.4	34.54%
HDB Financial Services Limited	613.3	700.3	902.2	1,068.8	20.34%
L&T Finance Limited	818.0^	808.9	855.6	977.6	6.12%
Mahindra & Mahindra Finance	649.5	827.4	1,026.0	1,196.7	22.60%
Shriram Finance Ltd	1,257.0#	1,833.4	2,216.7	2,599.2	27.40%
Sundaram Finance Ltd	289.6	342.2	425.2	NA	NA
Tata Capital Ltd	560.4*	829.8	1,092.7	NA	NA

Note: Data is on standalone basis. For Tata Capital Limited, Shriram Finance Limited and L&T Finance Limited, Fiscal 2024 and Fiscal 2023 data are not comparable with Fiscal 2022 data owing to their respective corporate restructuring exercises.
**Figures for Fiscal 2022 pertain to former TCFSL (Tata Capital Financial services Limited) prior to its merger with Tata Capital Limited*
^Figures for Fiscal 2022 are of former L&T Finance prior to its merger with L&T Finance holdings (Now L&T Finance Limited)
#Figures for Fiscal 2022 pertain to Shriram Transport finance prior to its merger(Now Shriram Finance Limited)
Source: Company Reports, Crisil Intelligence

Secured/Unsecured share (%) based on total gross loans of Peers (Fiscal 2025)

Peers	Fiscal 2024		Fiscal 2025	
	Secured (%)	Unsecured (%)	Secured (%)	Unsecured (%)
Aditya Birla Finance Limited	72.43%	27.57%	NA	NA
Bajaj Finance Ltd	48.46%	51.54%	NA	NA
Cholamandalam Investment and Finance Company Limited	90.96%	9.04%	NA	NA
HDB Financial Services Limited	71.34%	28.66%	73.01%	26.99%
L&T Finance Limited	56.40%	43.60%	55.40%	44.60%
Mahindra & Mahindra Finance	95.10%	4.90%	94.85%	5.15%
Shriram Finance Ltd	92.04%	7.96%	NA	NA
Sundaram Finance Ltd	99.19%	0.81%	NA	NA
Tata Capital Ltd	65.80%	34.20%	NA	NA

Source: Company Reports, Crisil Intelligence

Profitability parameters

Bajaj finance has the highest return on average assets (5.01%) and yield on gross advances (18.82%) for the year ended March 31, 2025, among peers. As of Fiscal 2025, HDB's average cost of borrowing stood at 7.90% as of March 31, 2025, which is the sixth lowest amongst peers. Also, HDB Financial has the fifth highest return on equity at 14.72% amongst its NBFC peers as of Fiscal 2025.

Profitability parameters – Fiscal 2024

Peers	Yield on gross advances (%)	Cost of borrowings (%)	NII (%)	Opex (%)	PPoP (%)	Credit cost (%)	ROA (%)	ROE (%)
Aditya Birla Finance Limited	12.94%	7.93%	5.99%	2.17%	4.60%	1.45%	2.27%	16.65%
Bajaj Finance Ltd	18.93%	7.25%	12.51%	5.33%	10.04%	2.12%	4.93%	20.48%
Cholamandalam Investment and Finance Company Limited	13.87%	7.96%	6.60%	3.21%	4.65%	1.04%	2.54%	20.22%
HDB Financial Services Limited	13.92%	7.53%	7.85%	6.16%	5.46%	1.33%	3.03%	19.55%
L&T Finance Limited	15.51%	6.74%	9.05%	4.25%	6.16%	1.58%	2.19%	10.27%
Mahindra & Mahindra Finance	14.15%	7.61%	7.21%	3.19%	4.51%	1.97%	1.66%	9.98%
Shriram Finance Ltd	16.59%	8.61%	9.28%	2.96%	7.01%	2.23%	3.26%	15.65%
Sundaram Finance Ltd	11.79%	7.00%	5.08%	2.47%	5.14%	0.71%	3.16%	16.90%
Tata Capital Ltd	11.98%	7.40%	5.06%	2.82%	4.12%	0.78%	2.26%	14.58%

Note: Data is on standalone basis
Source: Company Reports, Crisil Intelligence

Profitability parameters – Fiscal 2025

Peers	Yield on advances (%)	Cost of borrowings (%)	NII (%)	Opex (%)	PPoP (%)	Credit cost (%)	ROA (%)	ROE (%)
Aditya Birla Finance Limited$*	12.40%	7.85%	5.35%	1.94%	4.75%	1.28%	2.36%	14.63%
Bajaj Finance Ltd*	18.82%	7.44%	12.09%	5.10%	9.86%	2.88%	5.01%	20.83%
Cholamandalam Investment and Finance Company Limited	14.28%	8.07%	6.76%	3.21%	4.95%	1.50%	2.38%	19.72%
HDB Financial Services Limited	14.04%	7.90%	7.56%	4.94%	5.12%	2.14%	2.16%	14.72%
L&T Finance Limited	16.00%	7.11%	9.45%	4.37%	6.46%	2.39%	2.35%	10.80%
Mahindra & Mahindra Finance	13.80%	7.64%	6.69%	3.07%	4.29%	1.46%	1.87%	12.35%
Shriram Finance Ltd	16.74%	8.79%	9.08%	2.97%	6.75%	2.21%	3.68%	18.62%
Sundaram Finance Ltd*	12.37%	7.38%	5.26%	2.27%	5.04%	0.53%	2.80%	14.97%
Tata Capital Ltd*	14.66%	8.77%	6.35%	3.51%	4.92%	2.34%	1.71%	10.91%

Note: NA: Data not available. Data is on standalone basis. $ - Fiscal 2025 data for Aditya Birla Finance are of Aditya Birla Capital.
**-For 2025 the ratios have been calculated using net advances in place of gross advances.*
Source: Company Reports, Crisil Intelligence

Operating expense bifurcation

Fiscal 2025	Operating Expense		
Peers	**Employee expense (%)**	**Depreciation (%)**	**Other expenses* (%)**
Aditya Birla Finance Limited$	50.93%	6.09%	42.98%
Bajaj Finance Ltd	49.45%	5.88%	44.66%
Cholamandalam Investment and Finance Company Limited	61.45%	4.54%	34.02%
HDB Financial Services Limited	74.33%	3.99%	21.67%
L&T Finance Limited	55.22%	3.32%	41.46%
Mahindra & Mahindra Finance	57.79%	8.02%	36.20%
Shriram Finance Ltd	51.11%	9.03%	39.86%
Sundaram Finance Ltd	61.89%	16.18%	21.92%

Tata Capital Ltd	50.55%	7.39%	42.05%

*Note: Data is on standalone basis; * - "other expenses" include fees & commission expenses. $ - Fiscal 2025 data for Aditya Birla Finance are of Aditya Birla Capital.*
Source: Company Reports, Crisil Intelligence

Leverage and provision coverage ratios

As of Fiscal 2025, HDB Financial has third highest leverage levels (5.9 times) and third highest provision coverage ratios (55.95%) amongst its NBFC peers as of Fiscal 2025.

Leverage and provision coverage ratios – Fiscal 2024

Peers	Capital Adequacy Ratio*	Debt/Equity	Tier-1 Capital*	Provision Coverage Ratio*
Aditya Birla Finance Limited	16.24%	6.2	14.13%	49.92%
Bajaj Finance Ltd	22.52%	3.1	21.51%	57.00%
Cholamandalam Investment and Finance Company Limited	18.57%	7.1	15.10%	46.50%
HDB Financial Services Limited	19.25%	5.8	14.12%	66.82%
L&T Finance Limited	22.84%	3.6	21.02%	76.00%
Mahindra & Mahindra Finance	18.86%	5.4	16.39%	63.20%
Shriram Finance Ltd	20.30%	4.1	20.03%	51.79%
Sundaram Finance Ltd	20.50%	4.3	16.78%	50.00%
Tata Capital Ltd	16.72%	5.3	11.86%	74.12%

*Note: NA: Data not available. Data is on standalone basis; * - data is on reported basis*
Source: Company Reports, Crisil Intelligence

Leverage and provision coverage ratios – Fiscal 2025

Peers	Capital Adequacy Ratio*	Debt/Equity	Tier-1 Capital*	Provision Coverage Ratio*
Aditya Birla Finance Limited$	18.22%	4.5	15.93%	45.00%
Bajaj Finance Ltd	21.93%	3.2	21.09%	53.00%
Cholamandalam Investment and Finance Company Limited	19.75%	7.7	14.41%	45.27%
HDB Financial Services Limited	19.22%	5.9	14.67%	55.95%
L&T Finance Limited	22.27%	3.9	20.76%	71.00%
Mahindra & Mahindra Finance	18.33%	5.9	15.20%	51.20%
Shriram Finance Ltd	20.66%	4.5	20.03%	43.28%
Sundaram Finance Ltd	20.42%	4.2	NA	49.00%
Tata Capital Ltd	16.91%	5.5	NA	NA

*Note: NA: Data not available. Data is on standalone basis; * - data is on reported basis: $ - Fiscal 2025 data for Aditya Birla Finance are of Aditya Birla Capital.*
Source: Company Reports, Crisil Intelligence

Asset quality of Peers – Fiscal 2025

As of Fiscal 2025, HDB Financial has the fourth lowest GNPA ratio of (2.26%) and fifth lowest NNPA ratio of (0.99%), amongst its NBFC peers as of March 31, 2025.

	Fiscal 2024	Fiscal 2025

Peers	Gross NPA Ratio*	Net NPA Ratio*	Gross NPA Ratio*	Net NPA Ratio*
Aditya Birla Finance Limited[$]	2.51%	1.27%	2.24%	1.24%
Bajaj Finance Ltd	1.05%	0.46%	1.18%	0.56%
Cholamandalam Investment and Finance Company Limited	2.48%	1.33%	2.81%	1.54%
HDB Financial Services Limited	1.90%	0.63%	2.26%	0.99%
L&T Finance Limited	3.15%	0.79%	3.29%	0.97%
Mahindra & Mahindra Finance	3.40%	1.28%	3.69%	1.84%
Shriram Finance Ltd	5.45%	2.70%	4.55%	2.64%
Sundaram Finance Ltd	1.27%	0.63%	1.44%	0.75%
Tata Capital Ltd	1.51%	0.40%	2.33%	0.98%

*Note: NA: Data not available. Data is on standalone basis; * - data is on a reported basis: $ - Fiscal 2025 data for Aditya Birla Finance are of Aditya Birla Capital.*
Source: Company Reports, Crisil Intelligence

Distribution footprint of Peers – Fiscal 2024 and Fiscal 2025

As of Fiscal 2025, HDB Financial has the highest number of employees (89,943) followed by Shriram Finance which had total of 79,872 employees. Also, HDB Financial has the second largest and the third fastest growing customer franchises amongst its NBFC peers (for which data is available) based on the number of customers at 19.2 million as on Fiscal 2025 which has grown at a CAGR of 26.88% between Fiscal 2022 and 2025.

Peers	No. of states (Fiscal 2025)	No. of cities (Fiscal 2025)	No. of customers (Fiscal 2025) (In million)	Growth in No. of Customers (Fiscal 2022-25 CAGR)	Branches/Locations		Employees	
					Fiscal 2024	Fiscal 2025	Fiscal 2024	Fiscal 2025
Aditya Birla Finance Limited[$]	NA	NA	NA	NA	412	449	5,947	NA
Bajaj Finance Ltd	34	4,263	101.82	20.91%	4,145	4,263	53,782	64,092
Cholamandalam Investment and Finance Company Limited	33	NA	4.4	32.73%	1,387	1,613	54,098	64,941
HDB Financial Services Limited	31	1,170	19.2	26.88%	1,682	1,771	88,824	89,943
L&T Finance Limited	21	100+	9.2	NA	1,965	2,297	30,534	36,521
Mahindra & Mahindra Finance	34	NA	11	11.67%	1,370	1,365	26,662	25,261
Shriram Finance Ltd	31	NA	9.6	65.45%	3,082	3,220	74,645	79,872
Sundaram Finance Ltd	21	NA	0.6	5.43%	710	710	7,459	7,293
Tata Capital Ltd	NA	NA	NA	NA	723	905[#]	8,729	NA

*Note: NA: Data not available. Data mentioned above is as per annual reports 2025; * - Data as on Fiscal 2023 For Tata Capital Limited and Shriram Finance Limited, customer growth from Fiscal 2022 to Fiscal 2024 is not comparable with peers owing to their respective corporate restructuring exercises / mergers. $ - Fiscal 2025 data for Aditya Birla Finance are of Aditya Birla Capital: #- As on January 2025*
Source: Company Reports, Crisil Intelligence

Cost and Opex of Peers – Fiscal 2023, Fiscal 2024 and Fiscal 2025

Peers	Cost to Income Ratio			Opex (%)		
	Fiscal 2023	Fiscal 2024	Fiscal 2025	Fiscal 2023	Fiscal 2024	Fiscal 2025
Aditya Birla Finance Limited*	32.12%	31.08%	29.02%[$]	2.10%	2.17%	1.94%[$]
Bajaj Finance Ltd*	35.82%	34.67%	34.08%	5.71%	5.33%	5.10%

Cholamandalam Investment and Finance Company Limited	38.45%	40.88%	39.34%	3.04%	3.21%	3.21%
HDB Financial Services Limited	55.49%	53.02%	49.13%	7.51%	6.16%	4.94%
L&T Finance Limited	37.46%	40.83%	40.37%	3.51%	4.25%	4.37%
Mahindra & Mahindra Finance	42.10%	41.44%	41.72%	3.69%	3.19%	3.07%
Shriram Finance Ltd	28.47%	29.66%	30.52%	3.18%	2.96%	2.97%
Sundaram Finance Ltd*	33.29%	32.49%	31.09%	2.45%	2.47%	2.27%
Tata Capital Ltd*	35.88%	40.62%	41.66%	2.90%	2.82%	3.51%

*Note. Data is on standalone basis; * - For FY2025 the ratios have been calculated using net advances in place of gross advance; $ - Fiscal 2025 data for Aditya Birla Finance are of Aditya Birla Capital.*
Source: Company Reports, Crisil Intelligence

Total Equity of Peers – Fiscal 2022, Fiscal 2023, Fiscal 2024 and Fiscal 2025

Peers	Total Equity (in ₹ millions)			
	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025
Aditya Birla Finance Limited	98,604.2	114,262.1	152,435.3	251,936.4$
Bajaj Finance Ltd	420,558.8	514,931.3	720,105.3	879,957.1
Cholamandalam Investment and Finance Company Limited	117,076.8	142,960.5	195,565.1	236,274.0
HDB Financial Services Limited	95,397.3	114,369.7	137,427.1	158,197.5
L&T Finance Limited	164,912.3	213,188.4	231,949.6	252,947.2
Mahindra & Mahindra Finance	156,280.9	170,889.1	181,574.9	198,122.3
Shriram Finance Ltd	259,321.9	433,066.4	485,683.9	562,805.7
Sundaram Finance Ltd	68,930.9	77,374.0	94,716.9	111,391.0
Tata Capital Ltd	77,627.4	147,414.8	194,524.2	280,988.4

Note. Data is on standalone basis. For Tata Capital Limited, Shriram Finance Limited and L&T Finance Limited, Fiscal 2024 and Fiscal 2023 data are not comparable with Fiscal 2022 data owing to their respective corporate restructuring exercises. $ - Fiscal 2025 data for Aditya Birla Finance are of Aditya Birla Capital.
Source: Company Reports, Crisil Intelligence

Credit ratings of Peers (Fiscal 2025) HDB Financial has the highest possible credit ratings in India for the long term (CRISIL AAA/stable and CARE AAA/stable).

Peers	Credit Rating (Long Term)
Aditya Birla Finance Limited	CRISIL AAA/CRISIL AA+, ICRA AAA/ICRA AA+, CARE AAA
Bajaj Finance Ltd	CRISIL AAA, ICRA AAA, CARE AAA, IND AAA
Cholamandalam Investment and Finance Company Limited	CARE AA+/CARE AA, IND AA/IND AA+, ICRA AA/ICRA AA+
HDB Financial Services Limited	CRISIL AAA, CARE AAA
L&T Finance Limited	CRISIL AAA/CRISIL PPMLD AAA, IND AAA, ICRA AAA/ICRA AA+, CARE AAA/CARE AA+
Mahindra & Mahindra Finance	CRISIL AAA, CARE AAA, IND AAA, BWR AAA
Shriram Finance Ltd	ICRA AA+, CARE AA+, CRISIL AA+, IND AA+
Sundaram Finance Ltd	ICRA AAA, CRISIL AAA
Tata Capital Ltd	CRISIL AAA, CARE AAA, IND AAA, ICRA AAA

Note: Data is on standalone basis
Source: Company Reports, Crisil Intelligence

Borrowing mix of Peers (Fiscal 2025)

For Fiscal 2025, HDB Financial has no single source of borrowings represented more than 50.00% of borrowings.

Borrowing mix of Peers (Fiscal 2024)

Peers	Borrowing Mix				
	Term Loan	NCD/Bonds	Commercial Papers	ECB	Others
Aditya Birla Finance Limited	50.00%	26.00%	11.00%	4.00%	11.00%
Bajaj Finance Ltd	21.54%	31.39%	8.36%	2.73%	35.98%
Cholamandalam Investment and Finance Company Limited	55.73%	17.25%	2.53%	4.11%	20.38%
HDB Financial Services Limited	42.59%	45.34%	1.55%	2.81%	7.71%
L&T Finance Limited	48.00%	37.00%	5.00%	3.00%	7.00%
Mahindra & Mahindra Finance	50.14%	28.03%	5.29%	2.28%	14.25%
Shriram Finance Ltd	24.56%	17.02%	1.28%	13.67%	43.47%
Sundaram Finance Ltd	35.80%	33.80%	4.70%	-	25.70%
Tata Capital Ltd	44.22%	37.78%	6.03%	9.58%	2.39%

Note: NA: Data not available. Data is on standalone basis.
Source: Company Reports, Crisil Intelligence

Borrowing mix of Peers (Fiscal 2025)

Peers	Borrowing Mix				
	Term Loan	NCD/Bonds	Commercial Papers	ECB	Others
Aditya Birla Finance Limited	NA	NA	NA	NA	NA
Bajaj Finance Ltd	NA	NA	NA	NA	NA
Cholamandalam Investment and Finance Company Limited	NA	NA	NA	NA	NA
HDB Financial Services Limited	37.75%	41.25%	3.90%	10.23%	6.87%
L&T Finance Limited	57.10%	25.92%	6.76%	8.26%	1.97%
Mahindra & Mahindra Finance	NA	NA	NA	NA	NA
Shriram Finance Ltd	NA	NA	NA	NA	NA
Sundaram Finance Ltd	NA	NA	NA	NA	NA
Tata Capital Ltd	NA	NA	NA	NA	NA

Note: NA: Data not available. Data is on standalone basis.
Source: Company Reports, Crisil Intelligence

NCD issuance in Fiscal 2024

HDB Financial is the second largest issuer of listed NCDs in fiscal 2024 among NBFCs peers in India (for which data is available). In Fiscal 2025, HDB Financial issued Rs. 12,658 Cr. of listed NCDs.

Peers	NCD Issued in FY2024 (Cr.)
Aditya Birla Finance Limited	6,739
Bajaj Finance Ltd	24,973
Cholamandalam Investment and Finance Company Limited	7,463
HDB Financial Services Limited	16,325

L&T Finance Limited	NA
Mahindra & Mahindra Finance	6,573
Shriram Finance Ltd	NA
Sundaram Finance Ltd	NA
Tata Capital Ltd	14,076

Source: Company reports, Crisil Intelligence

ALM position of Peers (Fiscal 2024)

Peers	Asset (₹ billions)		Liabilities (₹ billions)		Net (₹ billions)		Asset-Liability Ratio*	
	Within 12 Months	After 12 Months	Within 12 Months	After 12 Months	Within 12 Months	After 12 Months	Within 12 Months	After 12 Months
Aditya Birla Finance Limited	355.8	756.3	382.9	576.8	-27.1	179.5	0.9	1.3
Bajaj Finance Ltd	1,268.9	1,697.2	936.4	1,309.6	332.5	387.6	1.4	1.3
Cholamandalam Investment and Finance Company Limited	410.6	1,153.5	492.3	876.7	-81.7	276.9	0.8	1.3
HDB Financial Services Limited	358.0	567.6	293.2	495.0	64.8	72.6	1.2	1.1
L&T Finance Limited	450.6	572.9	460.5	331.0	-9.9	241.9	1.0	1.7
Mahindra & Mahindra Finance	429.0	722.6	348.2	621.8	80.9	100.7	1.2	1.2
Shriram Finance Ltd	1,026.7	1,346.0	640.3	1,246.8	386.4	99.3	1.6	1.1
Sundaram Finance Ltd	226.2	326.1	170.4	238.8	55.8	87.3	1.3	1.4
Tata Capital Ltd	625.0	1,141.9	528.9	992.2	96.1	149.8	1.2	1.2

*Note: * Asset to liabilities ratio is calculated by dividing the percentage of assets maturing in the specified period by percentage of liabilities maturing at the same time. Data is on standalone basis*

Source: Company reports, Crisil Intelligence

ALM position of Peers (Fiscal 2025)

Peers	Asset (₹ billions)		Liabilities (₹ billions)		Net (₹ billions)		Asset-Liability Ratio*	
	Within 12 Months	After 12 Months	Within 12 Months	After 12 Months	Within 12 Months	After 12 Months	Within 12 Months	After 12 Months
Aditya Birla Finance Limited	NA	NA	NA	NA	NA	NA	NA	NA
Bajaj Finance Ltd	NA	NA	NA	NA	NA	NA	NA	NA
Cholamandalam Investment and Finance Company Limited	NA	NA	NA	NA	NA	NA	NA	NA
HDB Financial Services Limited	398.1	688.6	412.4	516.0	-14.3	172.5	1.0	1.3
L&T Finance Limited	525.0	675.3	550.0	397.4	-25.0	277.9	1.0	1.7
Mahindra & Mahindra Finance	546.0	809.5	417.1	740.2	128.8	69.3	1.3	1.1
Shriram Finance Ltd	NA	NA	NA	NA	NA	NA	NA	NA
Sundaram Finance Ltd	NA	NA	NA	NA	NA	NA	NA	NA
Tata Capital Ltd	NA	NA	NA	NA	NA	NA	NA	NA

*Note: * Asset to liabilities ratio is calculated by dividing the percentage of assets maturing in the specified period by percentage of liabilities maturing at the same time. Data is on standalone basis.*

Source: Company reports, Crisil Intelligence

Peers	No. of Years of Operation	Total No. of Directors*	No. of Independent Directors*	Promoter's Holding (%)
Aditya Birla Capital	18	8	5	68.85%

Bajaj Finance Ltd	38	9	5	54.73%
Cholamandalam Investment and Finance Company Limited	46	8	5	49.92%
HDB Financial Services Limited	18	9	7	94.32%
L&T Finance Limited	17	7	4	66.24%
Mahindra & Mahindra Finance	34	8	6	52.16%
Shriram Finance Ltd	46	10	5	25.40%
Sundaram Finance Ltd	71	8	4	37.22%
Tata Capital Ltd	34	8	5	92.83%

*Note: NA: Data not available. Data is on standalone basis. * - Board of directors. Data as of March 2025.*
#- Promoter's Holding: Data as of March 2025.
Source: Company reports, Crisil Intelligence

List of formulae

Parameters	Formula
RoA	Profit after tax / average of total assets on book
RoE	Profit after tax / average net worth
NII	(Interest income – interest paid) / average of total gross loan book
Yield on advances	Total interest earned / average of total gross loan book
Cost to income	Operating expenses / (Total income – Finance cost)
Cost of borrowings	Interest paid / (average of deposits and borrowings)
Operating Expenses (Opex)	Operating Expenditure (Employee Expenses + Depreciation and amortization expense + Other expenses + Fee & commission expenses) / average of total gross loan book
PPoP	(Total Income – Interest paid – Opex) / average of total gross loan book
Credit cost	Provisions / average total gross loan book
Debt to Equity	Total borrowings / (total shareholder equity – deferred tax (Net)) of the same fiscal
GNPA	Gross Stage 3 assets / total gross loans
NNPA	Net NPAs / total gross loans
PCR	(GNPA – NNPA) / GNPA

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