



Non-Banking Financial Companies

**Focus Report: Business Loan and
Small Ticket LAP**

AUGUST 2024





[Click to see full report](#)

Robust growth has brought focus on to the ST LAP segment; loans envisaged to expand at a 20-25% CAGR over the next five years.

Portfolio seasoning is limited; two-year lagged 90+DPD are close to 2x of their reported level.

ST LAP largely concentrated among four southern states.



Small ticket loan against property (ST LAP)¹ by NBFCs² stood at about Rs. 1 trillion as of March 2024; loans grew at a compounded annual growth rate (CAGR) of about 21% over the last four years. The current low asset base and comfortable capital profile of entities in this space shall support expansion of 20-25% CAGR over the next five years.



ST LAP have an average ticket size of Rs. 0.8-0.9 million and generate yield of about 18-19%. These loans account for about 28% of the overall LAP by the NBFCs and about 18% of the overall business loans (BL)³ by the NBFCs.



New-age entities, which commenced operations in the last 10-15 years, and affordable segment focused housing finance companies (NBFC-HFCs) are the key players in ST LAP. The NBFC-HFCs have a higher average ticket size than other NBFCs, considering their target borrower segment in the housing space.



Like the NBFC sector in general, the ST LAP segment is also concentrated with the top seven players driving ~43% of the AUM⁴. The segment is operationally intensive, which acts as an entry barrier for larger players; however, advancements in data availability and technology can intensify competition.



Sharp growth has resulted in limited portfolio seasoning. Disbursements of the last two financial years constituted ~82% of the outstanding AUM in March 2024. Two-year lagged 90+DPDs⁵ are close to 2x of their reported levels.



Overall expected credit loss provision is up to about 1.6% at the entity level, which have exposure to this segment; while write-offs have remained low, even after the Covid-19 impact; loan recovery record is limited at present. Further, NBFCs other than NBFC-HFCs do not have access to SARFAESI⁶ for ST LAP.



Weaker asset quality witnessed in Maharashtra and Madhya Pradesh vis-à-vis other large states; Andhra Pradesh and Telangana are high growth states, as these are the focus states for some large players.

Note: ¹ LAP with ticket size of up to Rs. 1.5 million; ² NBFCs: Non-Banking Financial Companies (including housing finance companies);

³ BL: includes LAP, unsecured and quasi-secured loans (machinery, stock, guarantees, etc.) offered to enterprises and individuals for business purposes;

⁴ AUM: Assets under management; ⁵ DPD: Days Past Due; ⁶ The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act



ICRA

Analytical Contact Details

Name	Designation	Email	Contact Number
Karthik Srinivasan	Senior Vice President & Group Head	karthiks@icraindia.com	+91-22-61143444
A M Karthik	Senior Vice President & Co-Group Head	a.karthik@icraindia.com	+91-44-4596308
Manushree Saggar	Senior Vice President & Sector Head	manushrees@icraindia.com	+91-124-4545316
R Srinivasan	Vice President & Sector Head	r.srinivasan@icraindia.com	+91-44-4596315
Prateek Mittal	Assistant Vice President & Sector Head	prateek.mittal@icraindia.com	+91-33-71501100





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development – Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – Corporate Sector - West & East	vinita.baid@icraindia.com	033-71501131
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860





© Copyright, 2024 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

Thank You!