

Non-banking Financial Companies

**Reduction in GST rates to boost
domestic demand and offset global
uncertainties**

OCTOBER 2025



1 NBFC-Retail Sector Outlook



2 Macroeconomic Trends and Underlying Growth Drivers



3 Overall Sectoral Performance Trends



4 NBFC-Retail Asset Class-wise Trends



5 ICRA Rating Action across NBFCs/HFCs/MFIs





[Click to see full report](#)

GST rate cuts to offset the impact of tariff wars and global uncertainties. NBFC-Retail (excluding HFCs) AUM growth is estimated at 16-18% YoY in FY2026.

Asset quality to remain under some pressure.

Profitability of the NBFCs would moderate to 2.2-2.4% in FY2026.



- **The Retail AUM¹ of NBFCs²** (NBFC-Retail; *excluding HFCs³*) expanded at 17% YoY in Q1 FY2026, persisting with the declining trend over the past two years. Sectoral credit growth would continue to be impacted with entities having turned cautious on the back of asset quality pressures. Further, global macroeconomic uncertainties, have added to the downward pressure on growth. In this context, the recent goods and services tax (GST) rate cuts would go a long way in buttressing consumer demand, thereby supporting the AUM growth. Overall, ICRA expects the NBFC-Retail segment to grow at a moderate pace of 16-18% in FY2026.
- **Asset quality risks** remain elevated, impacted by the fast-paced growth of the earlier years. Write-offs increased significantly in FY2025 and would continue to be elevated in FY2026 as well, as entities prefer to accelerate their technical write-offs to keep delinquencies under control. Despite the same, headline delinquencies in the NBFC-Retail segment would continue to weaken, rising by 10-30 bps in FY2026. Meaningful divergence would be seen with the credit costs of unsecured segments rising higher than the secured segments, driven by borrower overleveraging and weakening of borrower credit profiles.
- **Incremental funding** (over and above the refinancing of maturing debt) from the banking sector was negative in 5M FY2026. Consequently, entities had to rely on funding from other sources such as market issuances, external commercial borrowings (ECB), and securitisation. In FY2026, the funding requirements for the NBFC-Retail segment is estimated at Rs. 3.4-3.5 trillion. Banking sector credit to the NBFCs may improve towards the second half of FY2026, with the improvement in liquidity conditions. Overall, ICRA expects the weighted average CoF⁴ to reduce by 10-30 bps in FY2026.
- **Net profitability of NBFCs** would moderate in FY2026, though to a smaller extent vis-à-vis FY2025, as credit costs will remain elevated. The sector would receive some support from a modest improvement in interest margins on the back of favourable movement in CoF, as operating costs remain stable.
- **The sectoral capitalisation profile** is adequate to absorb any asset quality shocks and support the projected AUM growth in the near term. Some entities with significant credit losses may, however, need to raise 'confidence capital' to boost lender and other stakeholder confidence.

Note: 1- Assets under management; 2 - Non-banking financial companies; 3 - HFCs: Housing finance companies (excluding HDFC); 4 - Cost of funds; Sector: NBFC-Retail/Wholesale, HFC-Retail/Wholesale, NBFC-Infra



ICRA

Analytical Contact Details

Name	Designation	Email	Contact Number
Karthik Srinivasan	Senior Vice-President and Group Head	karthiks@icraindia.com	+91-22-61143444
A M Karthik	Senior Vice-President and Co-Group Head	a.karthik@icraindia.com	+91-44-45964308
R Srinivasan	Vice President and Sector Head	r.srinivasan@icraindia.com	+91-44-45964315
Shaik Abdul Saleem	Senior Analyst	shaik.saleem@icraindia.com	+91-40-69396464
Richardson Xavier	Senior Analyst	richardson.xavier@icraindia.com	+91-44-45964310





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Sai Krishna	Head - Research Sales and Investor Connect	sai.krishna1@icraindia.com	9840774883
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 – East	vinita.baid@icraindia.com	033-65216801
Shivam Bhatia	Head Business Development – Corporate Sector – North & South	shivam.bhatia@icraindia.com	0124-4545803
Sanket Kulkarni	Head Business Development – Corporate Sector – West	sanket.kulkarni@icraindia.com	022-6169 3365
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860





© Copyright, 2025 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!