

# Non-banking Financial Companies

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**NBFC-Retail assets under  
management to cross Rs. 30 lakh  
crore by FY2027**

**JANUARY 2026**



# Agenda

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## NBFC-Retail Sector Outlook



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## Macroeconomic Trends and Underlying Growth Drivers



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## ICRA Rating Action across NBFCs/HFCs/MFIs





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*NBFC-Retail (excluding HFCs) AUM growth is estimated at 16-18% YoY in FY2027.*

*Incremental funding required (over and above refinancing of maturing debt) of Rs. 4.1-4.3 trillion in FY2027.*

*Profitability of the NBFCs would remain healthy at 2.3-2.5% in FY2027.*



- **The Retail AUM<sup>1</sup> of NBFCs<sup>2</sup>** (NBFC-Retail; *excluding HFCs<sup>3</sup>*) expanded at 17% YoY in H1 FY2026, as growth was constrained amid asset quality pressures and macroeconomic uncertainties. ICRA expects the NBFC-Retail segment to grow at a moderate pace of 17-19% during FY2026 and 16-18% in FY2027. Within this, gold loans has been the most buoyant, driven up by gold prices. VF\*, PL/CL\* segments have also benefited from the GST rate cuts, which has spurred domestic demand as customers advanced their purchases.



- **Incremental funding** (over and above the refinancing of maturing debt) requirement by the NBFC-Retail segment is forecasted around Rs. 3.5-3.7 trillion in FY2026 and Rs. 4.1-4.3 trillion in FY2027. Credit flows from the banking sector turned positive, though was modest at about Rs. 40 billion in 8M FY2026. Consequently, entities had to rely on funding from other sources such as market issuances, and securitisation. The borrowing rates of NBFCs reduced gradually on the back of the earlier rate cuts from the RBI. Overall, ICRA expects the weighted average CoF<sup>4</sup> to reduce by 10-30 bps in FY2026 and a similar quantum in FY2027 as well.



- **Asset quality pressures** have continued for retail NBFCs as the seasoning impact of the earlier fast-paced growth plays out. Entities have accelerated technical write-offs, as they have adequate provisions and capital to absorb the credit costs on their balance sheet (b/s). This has aided in keeping the delinquencies under control; overall credit costs are anticipated to remain elevated, increasing by 10-30 bps during FY2026 and thereafter stabilising in FY2027.



- **Net profitability of NBFCs** would moderate in FY2026, as credit costs will remain elevated. Though a modest improvement is anticipated in FY2027, as the asset quality concerns get assuaged. Stable interest margins and operating costs would provide support to the sectoral profitability in the near term.



- **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 – AUM: Assets under management; 2 – NBFCs: Non-banking financial companies; 3 – HFCs: Housing finance companies (*excluding HDFC*); 4 – CoF: Cost of funds; Sector: NBFC-Retail/Wholesale, HFC-Retail/Wholesale, NBFC-Infra; \*VF – Vehicle Financing; PL/CL – Personal loans/ consumption loans*



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