Loans and the financial services industry in India

A report for Veritas Finance Ltd

July 2026

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Macroeconomic scenario

The International Monetary Fund (IMF) in its World Economic Outlook report for July 2026 said the global economy showed remarkable resilience in calendar year 2025, with gross domestic product (GDP) growth reaching 3.5%. Despite initial concerns about United States (US) tariffs and its potential impact on global growth, trade disruptions remained limited, thanks to frontloading of imports in the first half of the year and swift reorganisation of supply chains to redirect trade flows.

The IMF expects world GDP growth to moderate to 3.0% in calendar year 2026 and edge up to 3.4% in 2027. While the private sector's swift adaptation of supply chains and trade flows mitigated immediate damage from the conflict in West Asia, prolonged tensions there can adversely impact commodity prices, inflation and financial conditions. This could test the resilience of the global economy and individual countries, particularly those relying heavily on West Asia for trade and other essential needs, the IMF said.

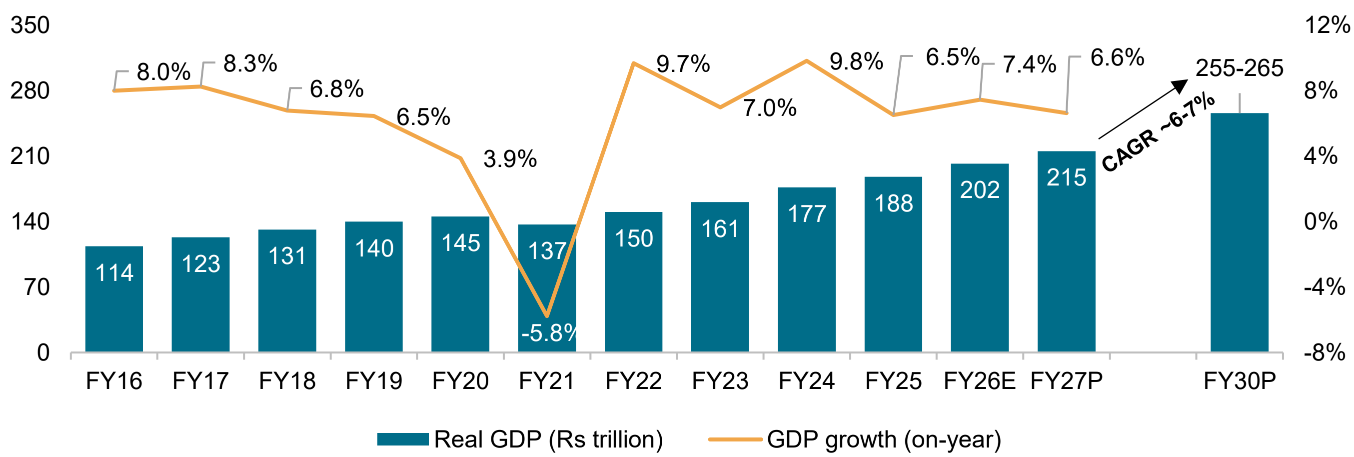
Global inflation is expected to increase to 4.7% in calendar year 2026, reflecting expected higher energy and food prices, before falling to 3.9% in 2027.

India is expected to be the fastest-growing large economy in the world despite the geopolitical uncertainties

The economy has demonstrated resilience to external shocks, such as US tariffs, on account of diversified trade partnerships and robust foreign exchange reserves. Strong domestic demand, robust consumption and improved financial conditions have supported India to outperform major economies and emerging markets.

From fiscal 2024 to 2026, India raced ahead of many economies in growth. In fiscal 2027, Crisil Intelligence expects real GDP growth to moderate at 6.6% because of an upward revision in the average crude oil price outlook and its spillover effects, as well as geopolitical uncertainties.

GDP to clock a CAGR of 6.0-7.0% over the next four years

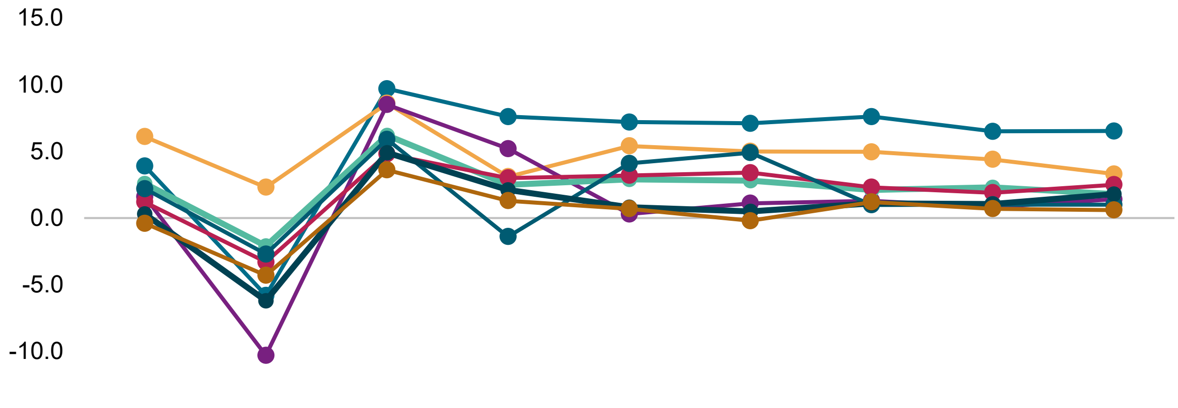


E – Estimate, P – projected;

Note: GDP growth until fiscal 2024 is based on the first revised estimate. GDP estimates for fiscal 2025 are based on the provisional estimate and the estimates for fiscal 2026 is based on the first advance estimate as per NSO's estimates; GDP growth for fiscal 2026-2030 is based on the IMF estimate.

Source: NSO, Crisil Intelligence

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



	2019	2020	2021	2022	2023	2024	2025	2026P	2030P
India*	3.9	-5.8	9.7	7.6	7.2	7.1	7.6	6.5	6.5
China	6.1	2.3	8.6	3.1	5.4	5.0	5.0	4.4	3.3
UK	1.6	-10.3	8.5	5.2	0.3	1.1	1.3	0.8	1.4
US	2.6	-2.1	6.2	2.5	2.9	2.8	2.1	2.3	1.8
Brazil	1.2	-3.3	4.8	3.0	3.2	3.4	2.3	1.9	2.5
Russia	2.2	-2.7	5.9	-1.4	4.1	4.9	1.0	1.0	1.0
South Africa	0.3	-6.2	4.9	2.1	0.8	0.5	1.1	1.1	1.8
Japan	-0.4	-4.3	3.6	1.3	0.7	-0.2	1.2	0.7	0.6

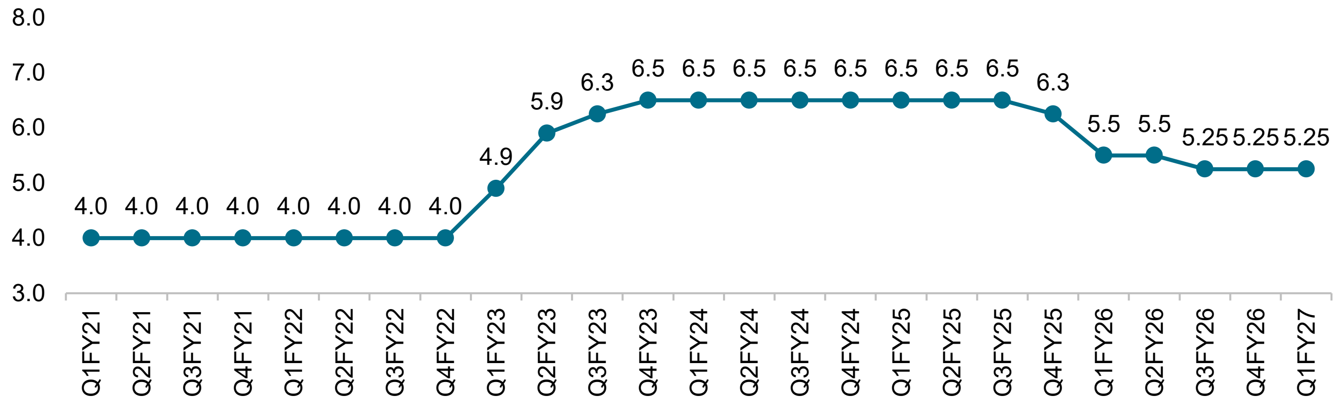
Note: All forecasts refer to IMF projections; GDP growth is based on constant prices; data for calendar years; an asterisk (*) indicates for fiscal years; E – Estimate, P – Projected.

Source: IMF (World Economic Outlook – April 2026), Crisil Intelligence

RBI kept the repo rate unchanged at 5.25% in June 2026, maintaining neutral stance

The Monetary Policy Committee (MPC) of RBI kept the repo rate unchanged at 5.25% at its June 2026 meeting retaining a neutral stance. This move reflects the committee's optimistic outlook on the country's economic growth, which is expected to remain resilient, driven by an increase in capital expenditure outlined in the Union budget 2026.

Repo rate in India (%)



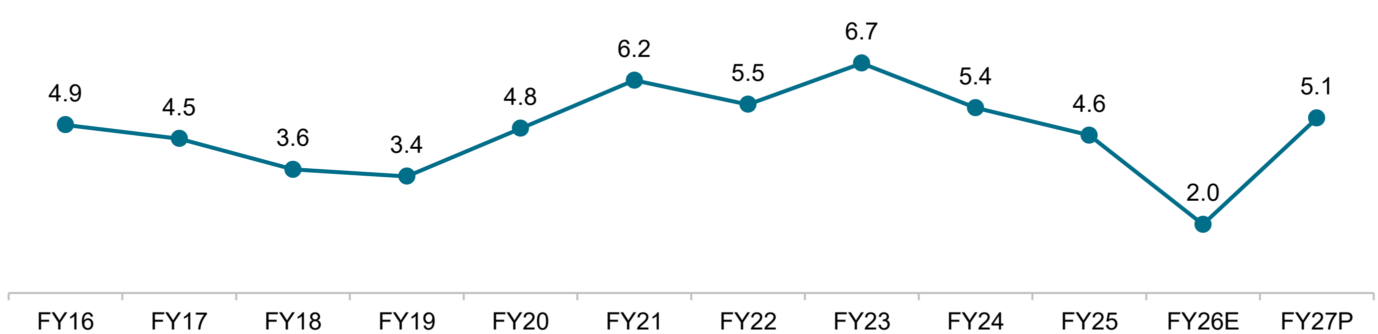
Source: RBI, CRISIL Intelligence

CPI inflation to average 5.1% in fiscal 2027

Inflation based on the revised CPI series, with 2024 as the base year, rose to 3.9% in May 2026 from 3.5% in April 2026, driven by an uptick in food (4.8% in May from 4.2% in April) and fuel (0.8% in May from 0.7% in April) inflation. Within the non-food category, fuel and transport inflation are the first to face pressures from higher oil and gas prices and supply shocks arising from the West Asia conflict.

We expect inflation based on the CPI to rise to 5.1% on average in fiscal 2027, up from an estimated 2.0% in the previous fiscal, driven by the anticipated normalisation of food inflation, which had been low in the past year. Our forecast assumes that crude oil prices will average $90-95 per barrel in fiscal 2027 compared with an estimated ~$70 per barrel in fiscal 2026. Also, El Niño conditions this year are likely to introduce additional uncertainties. Food inflation is expected to increase from the fiscal 2026 lows, with weather-related disruptions posing an upside risk.

CPI general index trend (%)



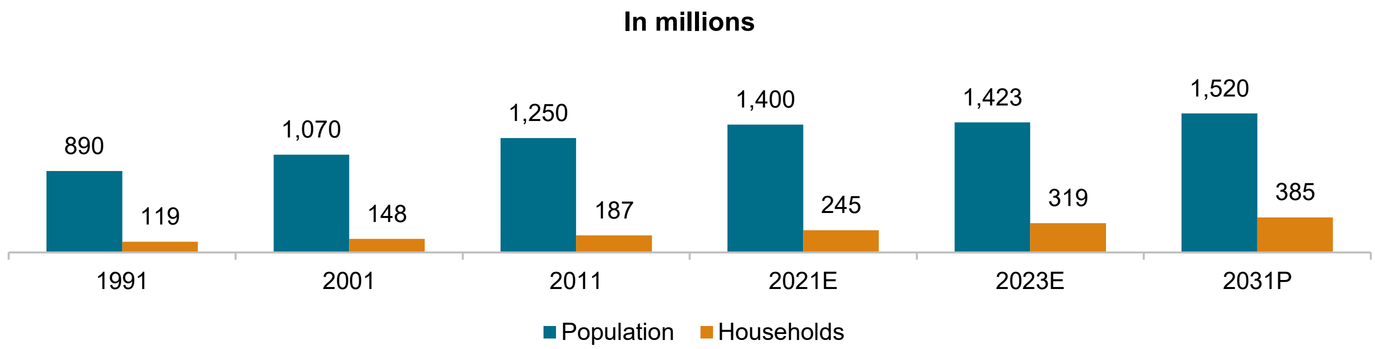
Note: E – Estimate, P – Projected. Source: Crisil Intelligence

Key growth drivers

India has the world's largest population

The 2027 census, which began on April 1, 2026, is still in its early stages. Based on past trends, we project the country's population to reach 1.5 billion by 2031, reflecting a compound annual growth rate (CAGR) of ~ 1% from 2011 to 2031. The number of households is expected to increase to ~385 million from 245 million in 2021, at an CAGR of ~4.6% during 2021-2031.

India's population growth trajectory and number of households



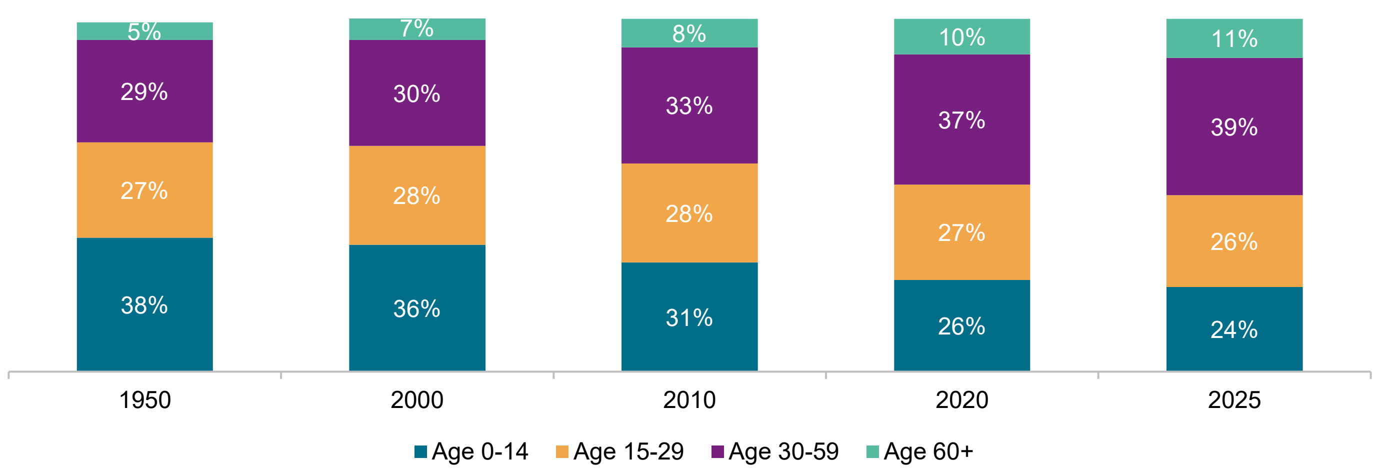
Note: E – Estimate, P – Projected; numbers are as at the end of each fiscal.

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 2025, it was estimated that India had the highest share of young working population (aged 15-29), accounting for 26% of its population, surpassing major developed and developing countries. We expect the large share of working population, coupled with rapid urbanisation and rising affluence, to propel growth in the economy.

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

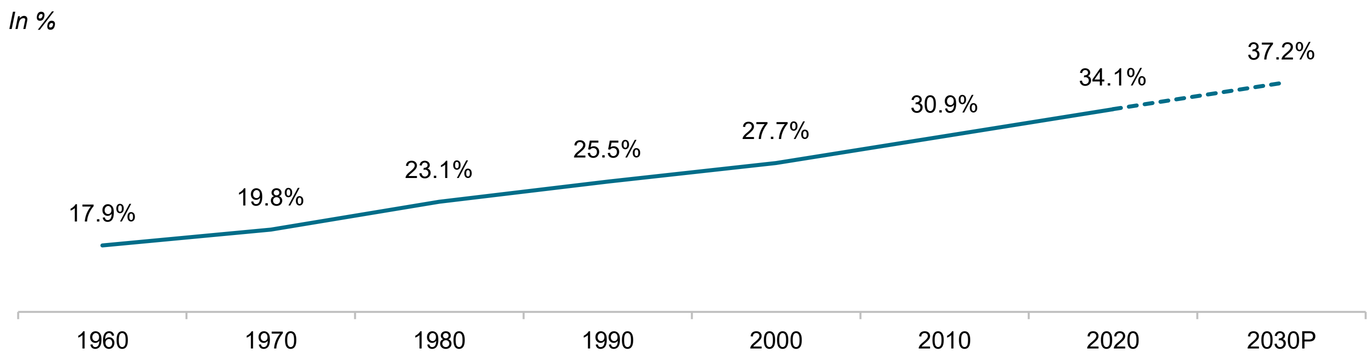


Source: 2024 Revision of World Population Prospects

Rising urbanisation

Urbanisation is a key driver of India's economic growth. It is expected to drive substantial investments in infrastructure development, create jobs, develop modern consumer services and increase the ability to mobilise savings. The country's urban population has been rising consistently over the decades. According to the 2018 revision of World Urbanisation Prospects, 36% of India's population lived in urban areas in 2022 and this percentage was expected to have increased to 37.4% by 2025.

India's urban population as a percentage of total population



P: Projected
Source: 2025 Revision of World Urbanization Prospects

Urbanisation acts as a key growth enabler for NBFCs. Infrastructure investments stimulate economic activity, leading to employment generation and business expansion. This increases demand for housing, vehicles and enterprise credit and widens the lending opportunity for NBFCs across both urban and rural markets.

Increasing per capita GDP

India's per capita net national income at constant prices increased 6.44% on year in fiscal 2026, reflecting a robust economic growth and the government's continued efforts to become an upper middle-income country. Between fiscals 2025 and 2028, the IMF projects the country's per capita income at constant prices is to rise 5-6% CAGR in real terms, indicating a gradual increase in average income levels.

Particulars	FY20	FY21	FY22	FY23	FY24*	FY25**	FY26#
Per capita GDP (at constant prices; Rs '000)	108.2	101	109.8	116.9	126.5	133.5	142.1
On-year growth (%)	2.60	-6.70	8.70	6.50	8.20	5.50	6.44

Notes:

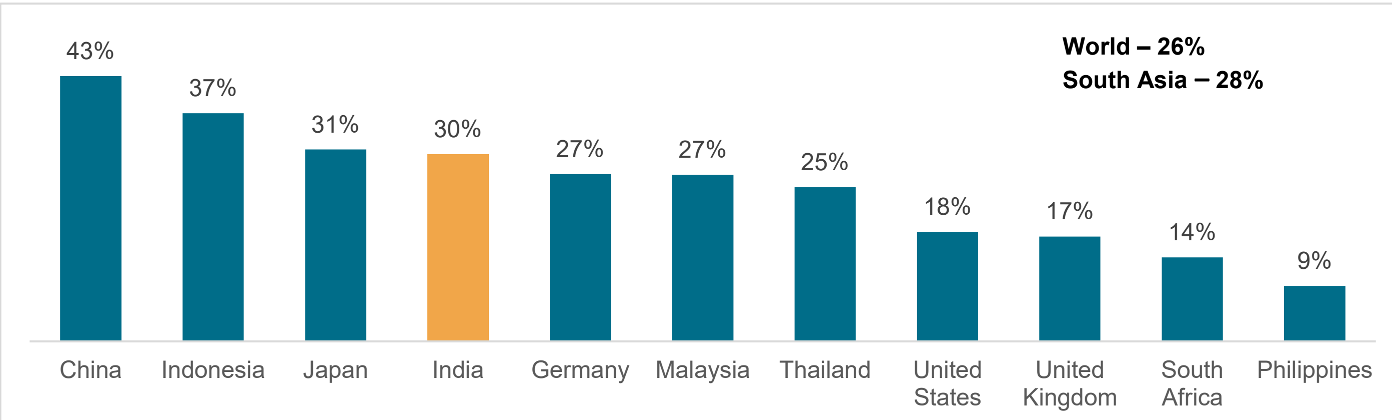
1. ** First revised estimate*
2. *** Provisional estimate*
3. *# First advance estimate*

Source: Ministry of Statistics and Programme Implementation (MoSPI), IMF, Press Information Bureau, Crisil Intelligence

India's gross domestic savings rate was higher than the global average in calendar year 2024

India's gross domestic savings was ~30% of GDP in calendar year 2024, up from ~13% in calendar year 1975. It was also above the global average of ~26%. Even among most other emerging market peers, the country was favourably positioned.

Gross domestic savings rate



Notes:

1. *The savings rate is expressed as a percentage of GDP*
2. *South Asia includes Nepal, Maldives, Sri Lanka, India, Bangladesh and Bhutan*

Source: World Bank, Crisil Intelligence

We expect India to remain a high savings economy, with the savings rate increasing in the medium term as households become more focused on building budgets and financial plans following the uncertainty induced by the pandemic.

A structurally strong savings rate reflects household balance-sheet stability and the economy's capacity for capital formation. Higher domestic savings help support long-term investment, infrastructure development and credit expansion by channeling accumulated savings of households into the economy through various financial assets and investments over time. As middle-class incomes and savings grow, these become key drivers of economic growth by supporting higher domestic savings and investment.

Digitalisation, aided by technology, to play a pivotal role in economic growth

Technology plays a crucial role in expanding access to smaller markets by progressively reducing distribution and transaction costs. India has the highest fintech adoption rate globally, at 87%, which is also significantly above the global average of 64%. *(Source: InvestIndia)*

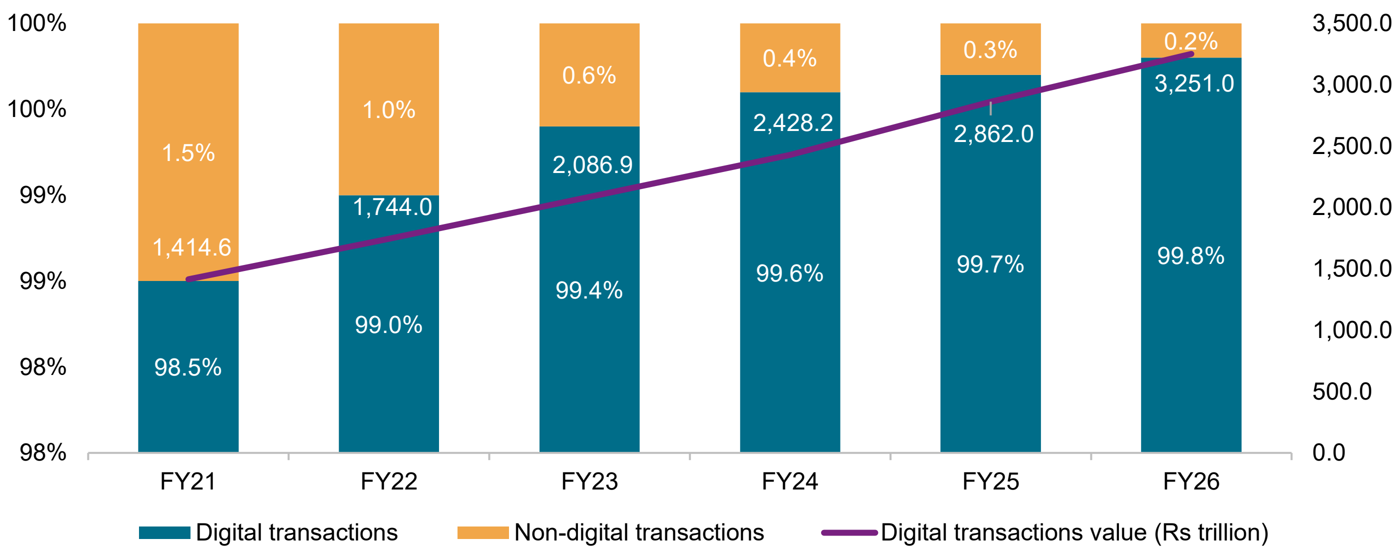
Among the government's key initiatives, the Unified Payments Interface (UPI) has been the major driver of financial inclusion, providing a single-click digital interface for bank account-linked payments across multiple platforms and enabling seamless transactions through a simple authentication process. The increased adoption of UPI has led to a rapid growth in the volume of digital transactions over the past few years.

Digital payments continue to grow sharply

Higher mobile penetration, improved connectivity and faster, more affordable data services, supported by widespread Aadhaar and bank account penetration, have accelerated India's transition from a cash-dominated economy to a digital one.

Total digital payments in India have grown significantly over the past few years. Between fiscals 2021 and 2026, the volume of digital payment transactions increased to 281.7 billion from 43.7 billion, representing a ~45% CAGR. During the period, the value of digital payment transactions rose to Rs 3,251.04 trillion from Rs 1,414.58 trillion.

Trend in the 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 payment instruments

Source: RBI, Crisil Intelligence

Consumers are increasingly finding mobile-based transactions convenient. We expect the share of mobile banking to increase considerably going forward, with improved data connectivity, low digital payment penetration and continued government initiatives expected to further accelerate digitalisation across the country.

NBFCs can leverage rising mobile adoption by offering mobile-first solutions, digital loan origination, instant credit assessment, digital know-your-customer (KYC) updation and seamless repayment options to expand customer reach and reduce operating costs. By leveraging digital payments, government-backed digital infrastructure and data analytics, these can better serve underserved rural and urban customers with faster, more convenient and scalable financial services.

The RBI has also proposed broadening the scope of UPI by allowing transfers from pre-sanctioned credit lines offered by banks. Previously, only funds held in bank deposit accounts could be transferred through UPI. The proposal will enable eligible credit lines (overdraft accounts, credit cards and prepaid wallets) to be linked to UPI, expanding access to digital credit. As per the RBI’s announcement, this initiative will allow the inclusion of credit lines to serve as funding accounts for UPI transactions.

Financial inclusion

Financial penetration improved on uptake of financial products

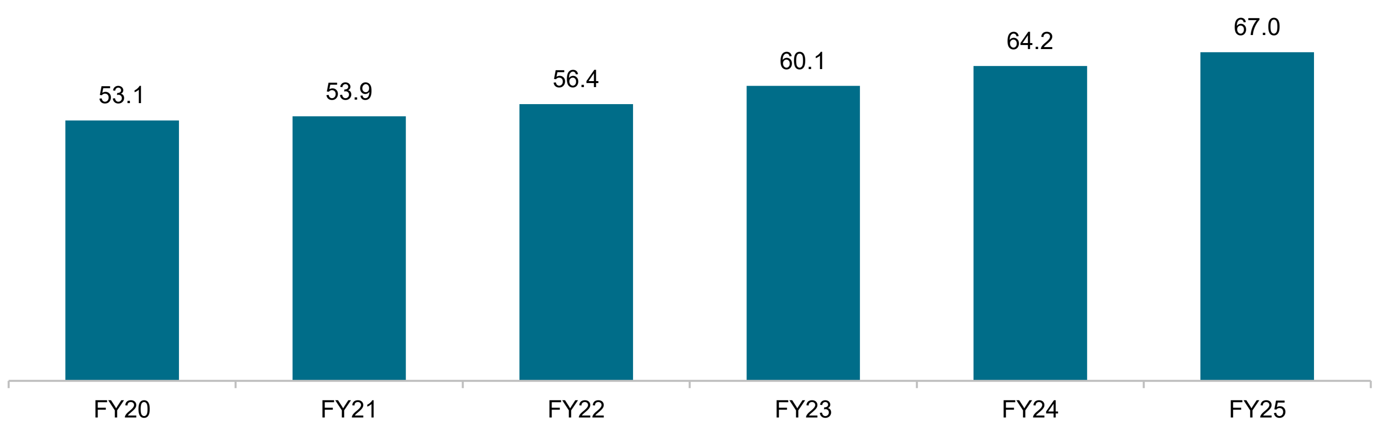
Financial inclusion in India improved significantly between calendar years 2014 and 2024. According to the World Bank's Global Findex Database 2025, the share of the adult population with an account with a bank, financial institution or a mobile money provider increased to 89% in 2024 from 53% in 2014 vs the global average of 75% in 2024.

This remarkable progress can be attributed to the government's concerted efforts to promote financial inclusion through initiatives such as the Pradhan Mantri Jan-Dhan Yojana (PMJDY), the rapid expansion of mobile banking and digital payment systems, and the implementation of welfare schemes through the Direct Benefit Transfer (DBT) framework. Advancements in financial technology have also played a significant role in expanding access to formal financial services.

Financial Inclusion Index

The RBI's Financial Inclusion Index (FI-Index), which measures the extent of financial inclusion in the country, rose to 67.0 in fiscal 2025 from 64.2 in fiscal 2024.

Financial inclusion has improved over the years (FI-Index)

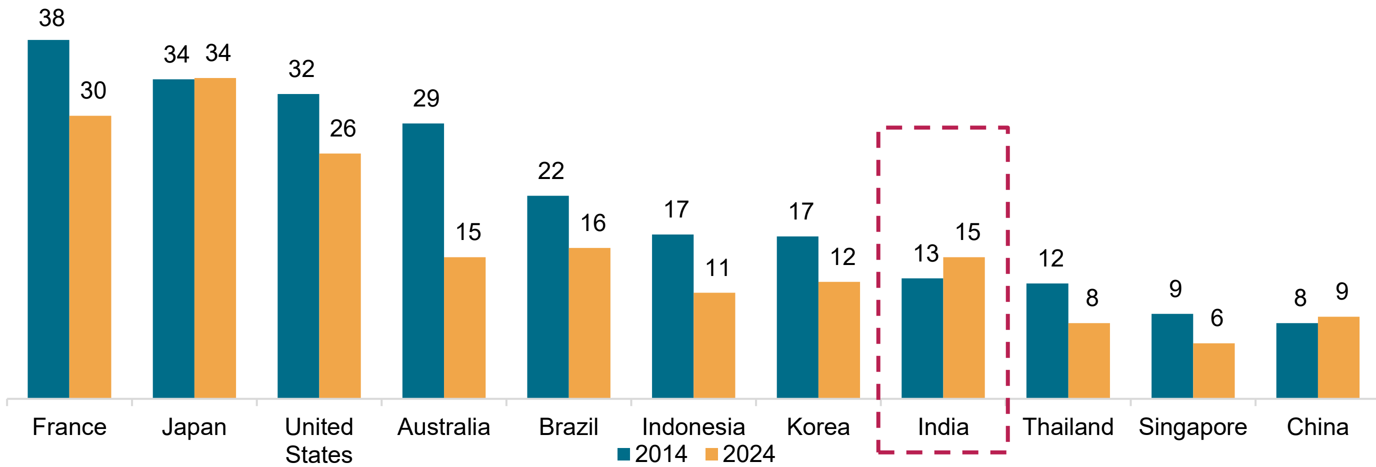


Source: RBI, Crisil Intelligence

The index is a composite measure that ranges from 0-100, where 0 represents complete financial exclusion and 100 indicates universal financial inclusion. It comprises three key parameters access (35%), usage (45%) and quality (20%) each consisting of multiple dimensions measured using various indicators. All the sub-indices also improved in fiscal 2025.

Under-penetration in the Indian banking sector provides opportunities

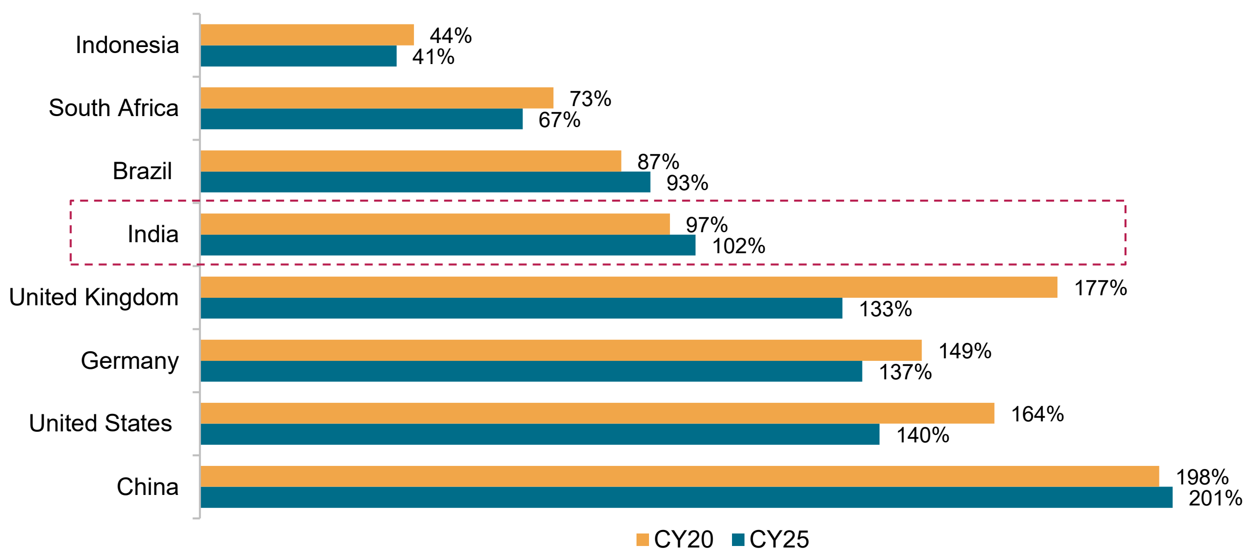
Number of commercial bank branches per 100,000 adults (calendar year)



Note: Includes population above 15 years having an account at a bank or any other type of financial institution

Source: IMF's Financial Access Survey, Crisil Intelligence

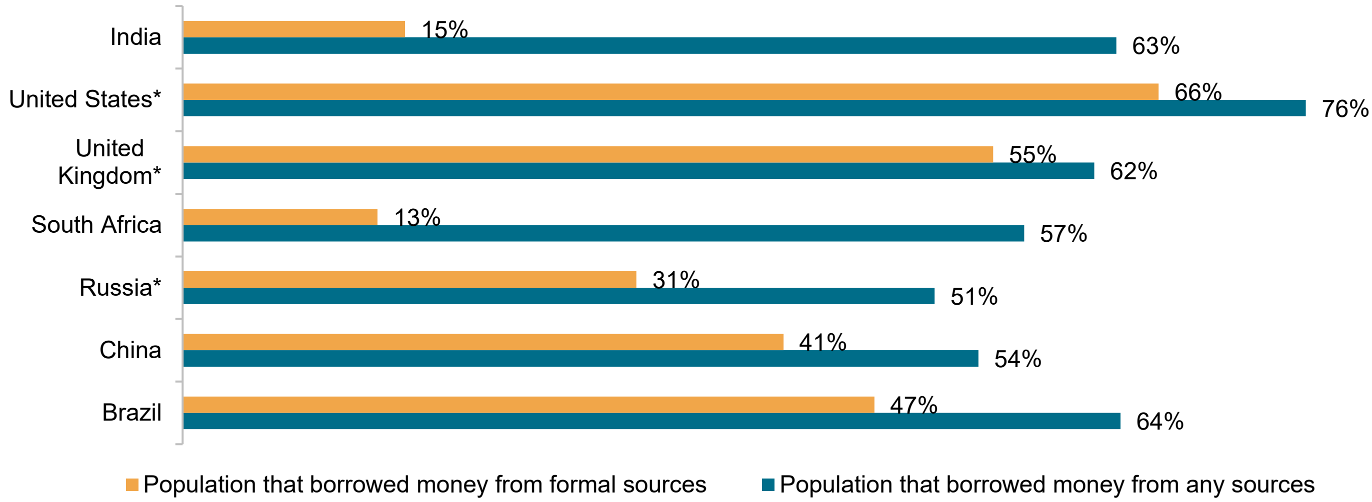
Credit-to-GDP ratio from calendar year 2020 to 2025



Source: Bank of International Settlements, Crisil Intelligence

In terms of borrowing from formal sources, India ranked poorly compared with major economies.

Only 15% of Indians borrowed from formal sources (calendar year 2024)



** Data is for calendar year 2021*

Notes:

1. *Global Findex data for India excludes northeastern states, remote islands and selected districts*
2. *Data is for the population in the age group of 15 years and above*
3. *Money borrowed from formal sources includes money borrowed from banks, NBFCs and through credit cards*

Source: World Bank – The Global Findex Database 2025, Crisil Intelligence

Rural sector supports India's growth story

The rural sector has been a key driver of India's consumption story in recent years. Over the past decade, it has expanded rapidly, driven by rising disposable incomes, infrastructure development and proliferation of e-commerce.

The government's strategy, as outlined in the Economic Survey 2026-27, centres on deregulation to boost growth, improve the ease of doing business, and support the development the country's small and medium enterprises.

Key priorities include enhancing fiscal management, strengthening domestic manufacturing capabilities, investing in human capital, boosting rural demand and agriculture, and promoting skill development and employment generation.

Rural India comprised ~9% of deposits and ~8% of credit as of March 2026

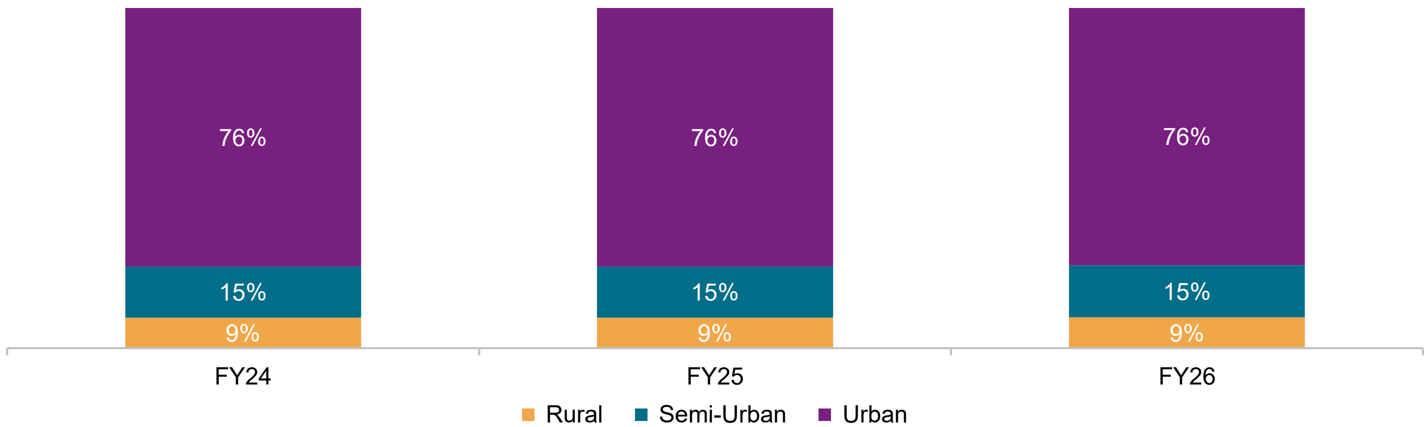
According to World Bank estimates for calendar year 2024, ~64% of India's population resides in rural areas. As per the 2011 Census, India had over 0.64 million villages.

However, rural India's share of bank deposits and credit was low at ~9% and ~8%, respectively, as of March 2026. Limited banking infrastructure, low financial literacy levels and investment awareness, and inadequate access to formal identification are among the key reasons.

Although most Indian households are in rural areas, banking penetration in these areas is relatively low. Consequently, a gap persists between the supply of and demand for financial services, presenting significant opportunities for the financial services sector.

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

Population group-wise share of deposits

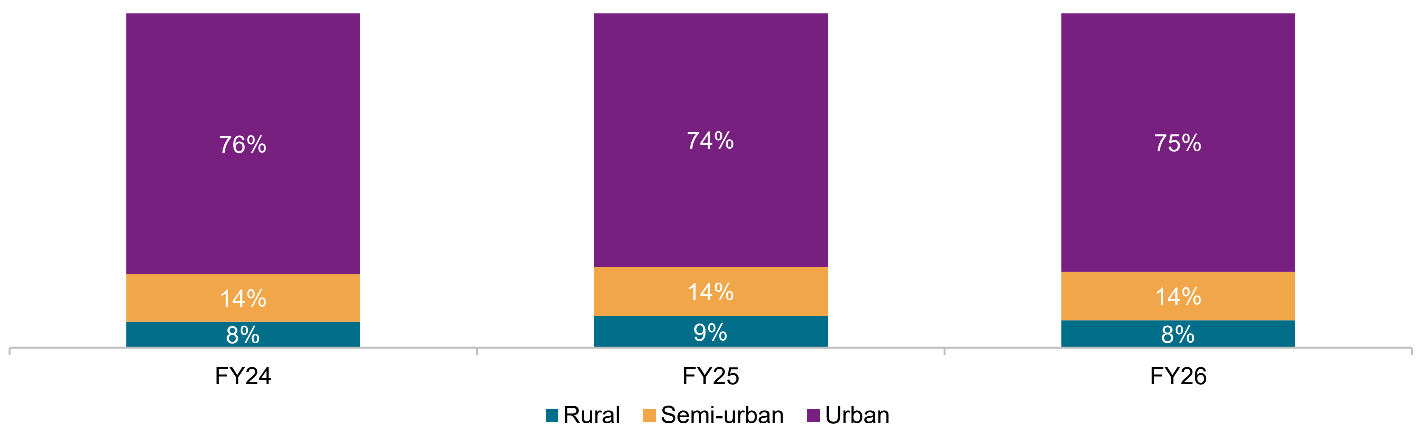


Notes:

1. *Urban includes data for both urban and metropolitan areas*
2. *The data represent indicators for scheduled commercial banks (SCBs) in India and excludes inter-company deposits*

Source: RBI, Crisil Intelligence

Population group-wise share of credit



Notes:

1. *Urban includes data for urban and metropolitan areas*
2. *The data represents indicators for SCBs in India*
3. *Total may not add up to 100% due to rounding off of decimals*

Source: RBI, Crisil Intelligence

Financial inclusion is lower in rural areas than in urban areas, presenting significant growth opportunities in this segment. Initiatives such as the PMJDY and digital banking, along with increased focus on financial literacy, have helped improve financial inclusion in rural areas.

Delhi, Maharashtra, Telangana, Haryana and Tamil Nadu lead in banking credit penetration

As of March 2026, Delhi, Maharashtra, Tamil Nadu, Telangana and Haryana had a banking-credit-to-GDP ratio of over 100%, which indicates high banking credit penetration than in other states. This points to the huge scope for increasing bureau coverage in the country. Further, it indicates people who don't have credit history, formal income proof or documentation, still rely on informal sources for debt at a very high cost. This could provide growth opportunities for NBFCs which provide loans at reasonable rates.

Banking credit penetration across states (fiscal 2026)

State/union territory	Gross state domestic product (GSDP) (Rs billion)	Total banking credit (Rs billion)	Banking credit penetration	Percentage of overall credit for each state	Percentage of credit in rural areas for each state
Maharashtra	28,826.99	59,409.08	206.09%	28.53%	6.12%
Tamil Nadu	19,198.04	19,710.34	102.67%	9.47%	15.29%
Gujarat	18,776.67	11,588.59	61.72%	5.57%	4.42%
Karnataka	17,230.06	13,893.11	80.63%	6.67%	7.68%
*Uttar Pradesh	16,349.24	10,156.71	62.12%	4.88%	9.23%
West Bengal	10,286.17	7,073.18	68.76%	3.40%	5.95%
Rajasthan	9,818.07	7,084.21	72.15%	3.40%	5.21%
Andhra Pradesh	9,522.61	8,466.93	88.91%	4.07%	8.62%
Telangana	8,895.82	10,568.82	118.81%	5.08%	5.15%
Madhya Pradesh	7,819.11	5,718.56	73.14%	2.75%	3.91%
*Kerala	6,852.83	6,686.23	97.57%	3.21%	0.90%
*Haryana	6,770.33	6,852.02	101.21%	3.29%	2.87%
#NCR of Delhi	6,698.63	19,881.42	296.80%	9.55%	0.28%
Bihar	5,766.45	2,916.81	50.58%	1.40%	3.36%
Odisha	5,743.50	2,968.81	51.69%	1.43%	3.53%
Others	**24,008.30**	**15,254.89**	**63.54%**	**7.33%**	**17.49%**

Note:

1. *Bank credit penetration is calculated as bank credit to the state/union territory divided by the GSDP (at constant prices) as of fiscal 2026*
2. *GSDP is measured at constant prices, with 2011-2012 as the base year*
3. **GSDP is for fiscal 2025, #GSDP is for fiscal 2024*

Source: RBI, MoSPI, Crisil Intelligence

Rural areas, Tier 3 and 4 cities are becoming structurally resilient to shocks and are shifting towards digital adoption

In rural and semi-urban areas, with only a fraction of the population fully integrated into the formal financial system, significant opportunities exist to expand access to credit, insurance and digital payments. Improvements in digital infrastructure, smartphone penetration and internet connectivity are enabling fintech and banking players to reach these previously untapped markets, particularly through initiatives such as PMJDY and the use of Aadhaar-enabled payment systems. Tier 3 and 4 cities have economies driven largely by micro, small, and medium enterprises (MSMEs), which have shown greater adaptability to disruptions. Moreover, many residents engage in entrepreneurial or informal work, which provides flexibility during economic shocks. Smaller towns are also witnessing upward mobility because of improved education facilities, access to e-commerce and better transport infrastructure, enabling closer integration with larger urban economies.

Digitisation to play pivotal role in rural economic growth

Technology is expected to play an important role in reducing the cost of reaching out to smaller markets. India has seen a tremendous rise in fintech adoption in the past few years. UPI has played a pivotal role towards financial inclusion, providing a digital interface across all systems for smartphones linked to bank accounts and facilitating easy transactions through simple authentication. It has driven up the volume of digital transactions in the past few years. Digitisation in other industries such as retail will also play an important role in the growth of rural economy.

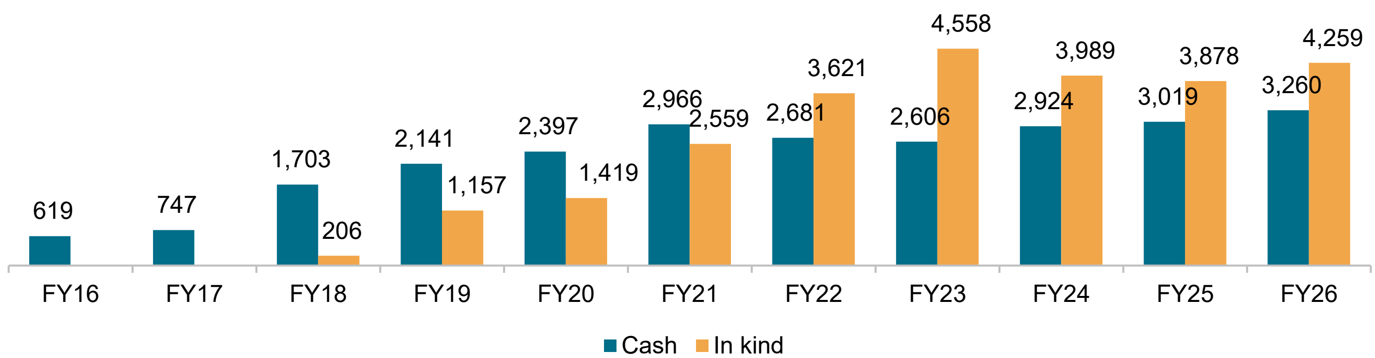
Government measures for financial inclusion, digital adoption

Direct benefit transfer (DBT)

DBT has been instrumental in accelerating financial inclusion. It has reduced human interface and leakages in the system, ensuring timely, accurate and efficient transfer of funds to beneficiaries.

Government scheme fund transfers through digital adoption

Rs million



Source: DBT, Crisil Intelligence

Aadhaar

Aadhaar has promoted financial inclusion by enabling easy and efficient identification of individuals and reducing the need for physical documentation. It has been leveraged across initiatives to improve financial access, such as PMJDY, DBT, mobile wallets and electronic know your customer (e-KYC).

Mobile banking

The government has also promoted mobile banking for those unable to access physical bank branches. Key mobile banking initiatives include UPI, mobile wallets, PMJDY mobile app and the business correspondent model.

Financial literacy programmes

The government and financial institutions have launched several financial literacy programmes, especially for the rural population, about the benefits of financial planning and management. These initiatives, such as the National Centre for

Financial Education and Swabhimaan, aim to empower the marginalised sections of society to make informed financial decisions.

Kisan Credit Card

The Kisan Credit Card scheme aims at providing adequate and timely credit support to farmers for agricultural activities.

National Pension Scheme

Regulated by the Pension Fund Regulatory and Development Authority, the National Pension Scheme is mandatory for central government employees and voluntary for corporates and all citizens (aged 18-70 years) with matching contributions by the employer.

Priority sector lending (PSL)

PSL is an important policy tool used by the RBI to promote financial inclusion. The PSL requirement mandates banks to allocate a specified percentage of their lending portfolio to priority sectors, such as agriculture, MSMEs, education and housing. This 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 February 2026, bank credit to priority sectors was Rs 93.16 trillion, up from Rs 78.32 trillion in March 2025.

PSL reduces regional imbalances by ensuring credit flow to the underserved segments of the population and helping to bridge the gap between rural and urban credit. It is also used by the government to ensure lending to sectors that can help the country in the long term.

Small saving schemes

Small saving schemes include initiatives such as the Sukanya Samriddhi Yojana for parents of girl children. The scheme was launched as a part of the Beti Bachao, Beti Padhao campaign. As of August 2025, the scheme had 43.18 million active subscribers.

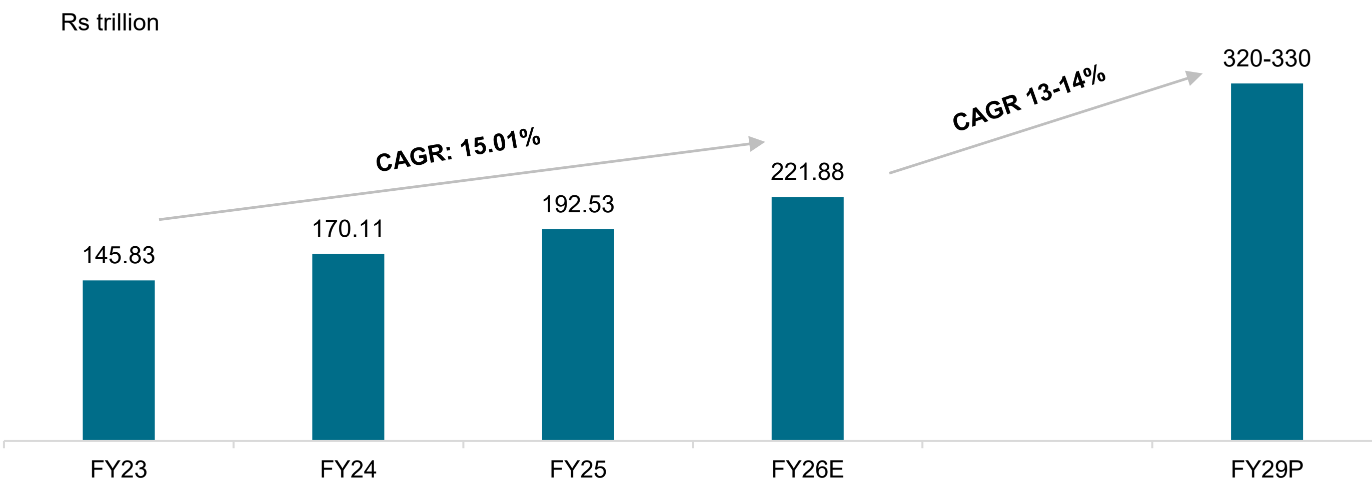
e-KYC transactions

The adoption and implementation of e-KYC in rural areas have transformed India’s financial landscape. Digital identity verification has minimised the time and cost involved in customer onboarding, facilitating easier access to banking services, credit and government benefits for the rural population. It has also improved transparency while mitigating fraud risks.

Overview of Systemic credit in India

Systemic credit in India reached ~Rs 221.88 trillion in fiscal 2026 from Rs 145.83 trillion in fiscal 2023, clocking a CAGR of 15.01%. The credit market is expected to exhibit a CAGR of 13-14% from fiscal 2026 to 2029, reaching Rs 320-330 trillion.

Systemic credit expected to grow at a 13-14% CAGR between fiscals 2026 and 2029



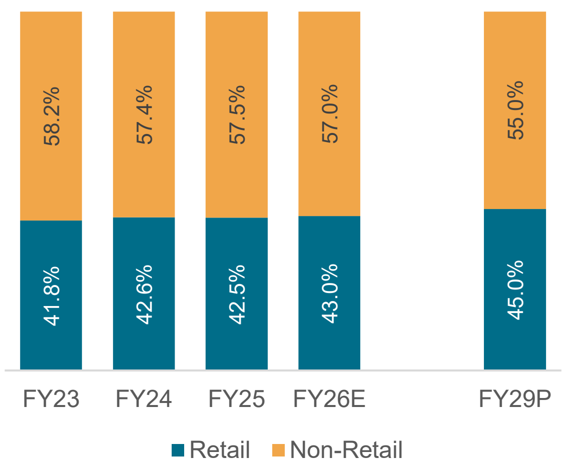
E – estimate, P – projected

Note: This excludes credit from banks to NBFCs, food credit and credit to agriculture and allied activities

Source: RBI, company reports, Crisil Intelligence

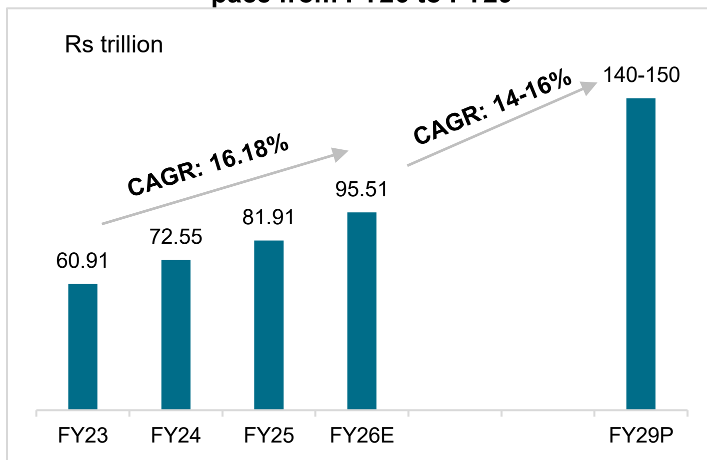
Retail credit in India, including small-ticket loans for asset classes such as housing finance, vehicle financing, gold loans, education loans, consumer durables, personal loans, credit cards and microfinance, is estimated to be ~Rs 95.5 trillion, as of March 31, 2026, expanding at a CAGR of 16.18% between fiscals 2023 and 2026. It is expected to continue expanding at a CAGR of 14-16% between fiscals 2026 and 2029. As consumers' financial health improves, they are increasingly seeking credit to finance purchases such as homes and vehicles, creating a large opportunity for both banks and NBFCs to broaden their investor base.

Retail segment is projected to account for 45% of overall systemic credit as of March 31, 2029



E – estimated, P – projected.
Note: The percentages are calculated on total systemic credit
Source: RBI, company reports, Crisil Intelligence

Retail credit growth is projected to grow at a robust pace from FY26 to FY29



E – estimated, P – projected
Source: RBI, Crisil Intelligence

Impact of digitalisation on retail credit

With high mobile penetration, improved connectivity, and faster and cheaper data, supported by Aadhaar and bank account penetration, India has shifted from a cash-dominated to digital economy. Technology has played an important role in taking the financial sector to the next level of growth, helping to surmount challenges stemming from the country's vast geography, which makes physical footprint in smaller locations commercially unviable.

In the financial space, the underwriting process can be improved by leveraging all available data efficiently. Lenders are increasingly using their web platforms and creating apps to register, score, approve and disburse loans to their customers. Digitisation has helped them make informed decisions through business insight generation and data visualisation. It has also improved lead generation, with faster onboarding of customers, comprehensive loan servicing and fraud detection. For customers, digitisation has made it easier to gather information and compare different lenders.

The India Stack, a set of APIs and tools that enable the building of digital platforms for various services, has been a gamechanger in the retail credit sector. The India Stack includes Aadhaar (for identity verification), e-KYC (for paperless identity verification), eSign (for digitally signing documents) and UPI (for seamless and instant fund transfers). All these components have been seamlessly integrated into the lending ecosystem. Lenders have also integrated these components in their loan processes, making it easier to streamline their operations and offer a seamless experience to borrowers.

Overview of the NBFC sector in India

Banks and non-banking financial companies (NBFCs) are the primary pillars of the financial system in India. Though the banking system dominates financial services, the importance of NBFCs has grown over the years.

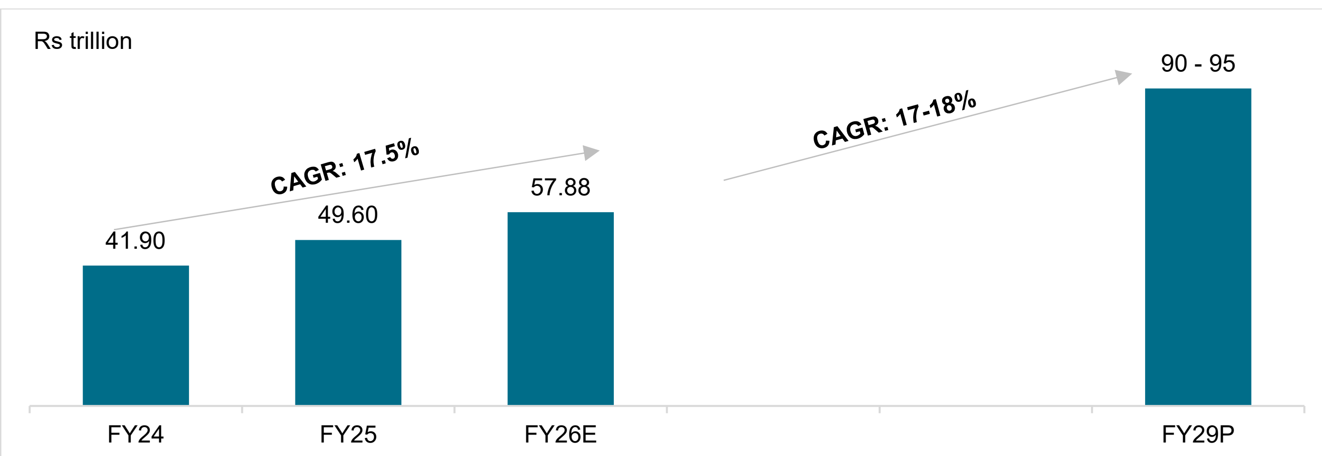
NBFCs have carved out a niche for themselves by catering to customers in regions that are underbanked or ignored by traditional financial institutions due to the absence of credit history or lack of collateral records. Their flexibility in assessing customers with low or no credit scores has allowed NBFCs to bridge the credit gap by opening branches in rural and semi-urban areas and providing credit and other financial services.

Unlike banks, NBFCs can provide customised services to retail and institutional customers and introduce newer credit products relatively quicker than banks. The differentiated skills of these financial institutions help them reach the underserved customer segment with flexible products and faster turnaround time and give them the ability to assess credit in the absence of a complete set of formal documentation.

NBFC credit to grow faster than systemic credit

The credit growth of NBFCs, which has historically trended above India's gross domestic product (GDP) growth, is expected to rise faster because of these factors. NBFCs have gained importance in the financial ecosystem by clocking an 17.5% CAGR in AUM over fiscals 2024 to 2026 to reach Rs 57.88 trillion at the end of FY26.

NBFC credit to grow 17-18% over fiscals 2026 and 2029



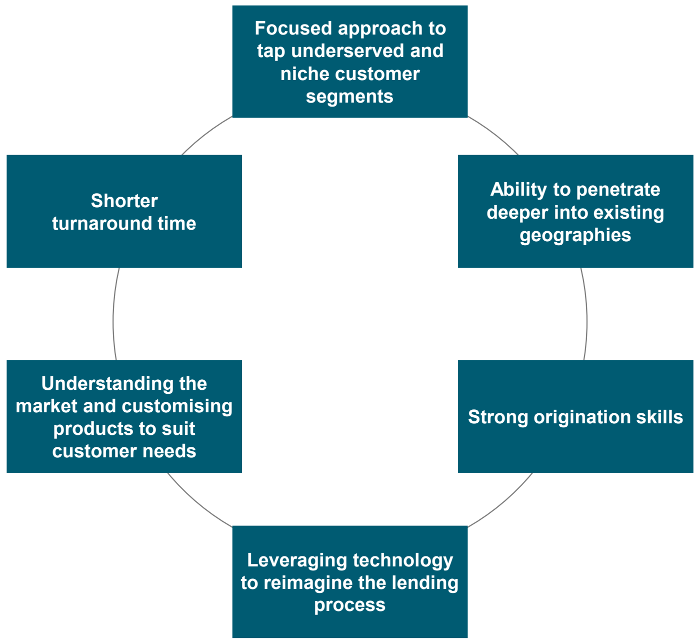
E - estimated; P - projected

Source: RBI, company reports, Crisil Intelligence

During fiscals 2026-2029, NBFCs are projected to outpace banks in credit deployment due to their higher growth potential, greater flexibility in lending to underserved segments and focus on niche markets. The focused approach to tap niche customer segments, the ability to penetrate deeper into geographies and leverage technology to reimagine the lending process, strong origination skills and shorter turnaround time would keep them ahead of the curve.

We believe that NBFCs will remain a force to reckon with in the Indian credit landscape, given their inherent strengths of providing last-mile funding and focussing on customer segments not catered to by banks.

Growth of NBFCs reflects their customer value proposition



Source: Crisil Intelligence

NBFCs are driving financial inclusion due to the greater focus on retail loans

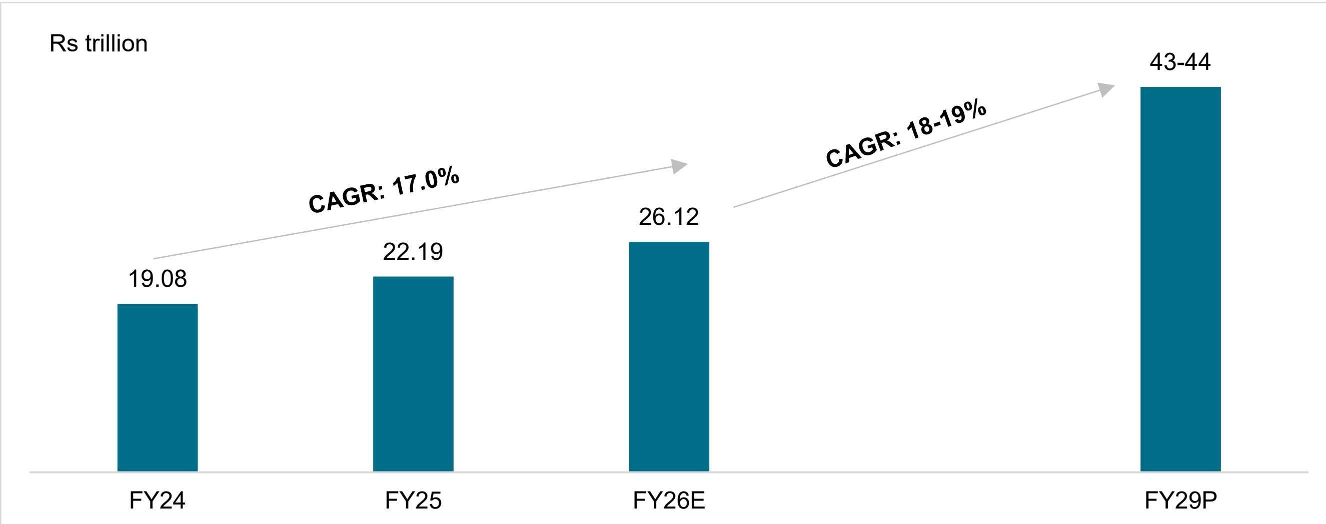
While banks are the primary institutions for banking in India, retail loan portfolio was only 42% of the banking credit as on March 31, 2026. Banks also focus on wholesale lending to large corporates and giving credit to the services and agriculture sectors. For NBFCs, credit to the retail segment was 45% of its portfolio. The focus on retail customers created an opportunity for these financial companies to penetrate the segment and bring riskier customer profiles with lower incomes into the formal system.

Rural areas, especially, present a vast opportunity for NBFCs. By lending to unbanked and underbanked masses in rural and semi-urban India, they have greatly helped the government and regulators widen financial inclusion. The strong linkage at the grassroots level makes them a critical cog in the nation’s financial ecosystem.

The NBFC sector has over the years evolved considerably in size, operations, technological sophistication, and financial services and products. The surge in the number of players has created heterogeneous business models. The increased penetration of neo-banking, digital authentication and mobile phone usage, as well as cheaper data, has resulted in the modularisation of financial services, particularly in credit. NBFC credit during fiscals 2024-2026 is estimated to have clocked a CAGR of ~17.5%, led by retail at ~17.0% and NBFC non-retail credit at ~18.0%.

The NBFC retail segment is expected to grow 18-19% over fiscals 2026-2029, supporting NBFC credit growth, with continued focus on the retail segment and multiple players announcing plans to reduce exposure to the wholesale segment.

Retail credit of NBFCs is expected to grow 18-19% over fiscals 2026-2029



E - estimated; P - projected

Note: Retail credit includes housing finance, vehicle finance, microfinance, gold loans, consumer durable finance and education loans

Source: Company reports, RBI, Crisil Intelligence

MSME, housing and auto financing contributed ~46% to NBFC credit in fiscal 2026

The credit growth of NBFCs is estimated to have been at 17% in fiscal 2026. In fiscal 2027, it is projected to be 17-18% due to the normalisation of pricing competition between banks and non-banking institutions, and subsiding asset quality risk in segments such as microfinance and unsecured business loans. Housing, auto, gold, consumer durable and infrastructure loans are expected to drive NBFC credit.

As pricing competition with banks normalises, loan growth to secured asset classes is likely to pick up. Unsecured asset classes, such as microfinance and unsecured business loans, would see normalisation as asset quality concerns eases. The microfinance sector had faced stress during fiscal 2026 due to increased leverage among borrowers and the corrective actions taken by MFIs to stabilise portfolio quality.

The retail and MSME segments are expected to grow faster in fiscal 2027. MSME credit accounted for ~23% of NBFC credit as on March 31, 2026. The housing and auto segments constituted ~14% and ~11%, respectively.

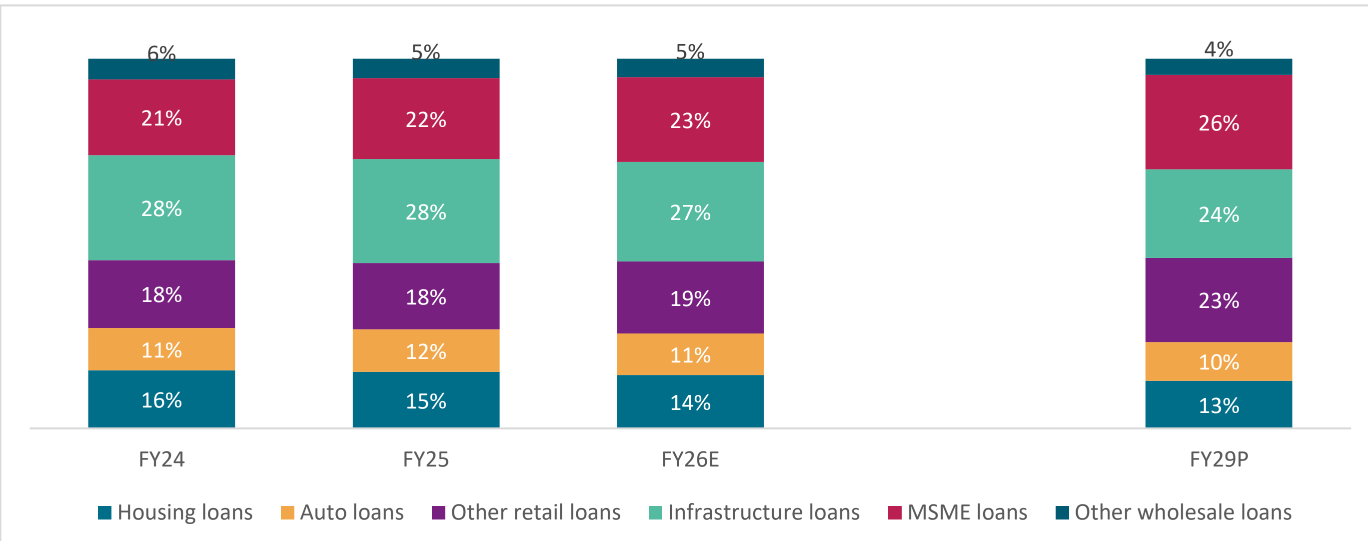
In fiscal 2026, the retail segment's share in the lending mix was estimated to be around 45%. The share of both, retail and wholesale segments, is expected to remain steady in the near term.

The retail loan growth rate is expected to increase to 18-19% in fiscal 2027, driven by growth in housing, vehicle, micro finance, and consumer durable loans. Unsecured retail loans are expected to pick up to 20-21% due to recovery in microfinance loans. The growth of gold loans is expected to normalize after the exceptional growth recorded in fiscal 2026.

The wholesale segment's growth rate is projected to increase to 16-17% in fiscal 2027, driven by infrastructure loans. Corporate and real estate loans are expected to maintain their growth momentum, as legacy loan issues are now largely resolved. MSME credit growth is projected to remain in the range of 19-21% in fiscal 2027, driven by strong government policy support, continued high economic growth and low interest rates.

However, the prolonged conflict in West Asia poses a downside risk to the outlook. The conflict has increased raw material costs, particularly for industries reliant on crude oil or liquefied natural gas, and disrupted supply chains. Manufacturing MSMEs and export-oriented MSMEs have been directly affected by these disruptions.

Distribution of NBFC credit across asset classes



E - estimated; P - projected

Note: Other retail loans include gold loans, microfinance loans, personal loans, consumer durable loans and education loans. Other wholesale loans include wholesale loans and construction equipment loans

Source: Company reports, Crisil Intelligence

Growth of asset classes

Asset class (Rs trillion)	**FY26 portfolio outstanding** (Rs trillion)	**Share of NBFCs/HFCs/ NBFC-MFIs as on March 31, 2026**	**Overall portfolio CAGR (FY24-FY26)**	**NBFCs/HFCs portfolio CAGR (FY24-FY26)**
MSME loans	51.7	26.0%	21.3%	24.8%
Housing loans*	44.5	30.4%	11.3%	11.6%
LAP*	15.4	41.0%	22.7%	29.9%
Auto loans	13.8	46.7%	16.5%	11.3%
Gold loans	16.7	21.0%	33.7%	46.7%
Personal loans	16.3	28.1%	13.1%	20.9%
Education loans	2.3	32.8%	19.2%	30.0%

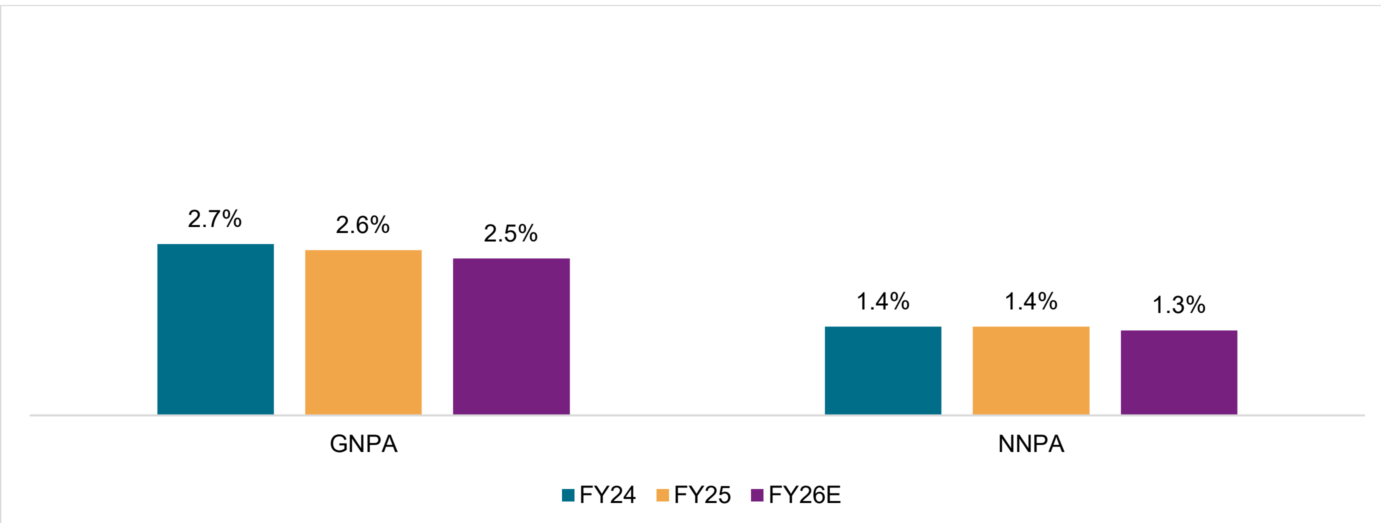
*Note: * based on data from CRIF Highmark*

Source: CRIF Highmark and Crisil Intelligence estimates

Asset quality

The asset quality of NBFCs is influenced by various factors such as economic cycle, target customer segment, geographical exposure and local events. Within the NBFC universe, asset classes tend to exhibit heterogeneous behaviour. For example, the asset quality of small business loans and personal loans tends to be highly correlated with the macroeconomic environment because it is influenced by domestic factors, events that have wide-ranging repercussions such as demonetisation and Covid-19, and relative leverage levels among borrowers.

Improving asset quality of NBFCs gives more comfort for mid-term growth

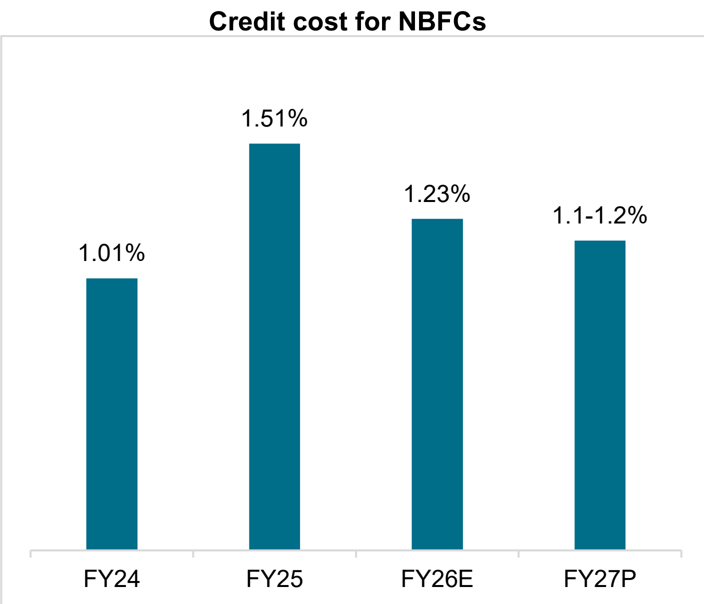


E - estimate; GNPA - gross non-performing assets; NNPA - net non-performing assets

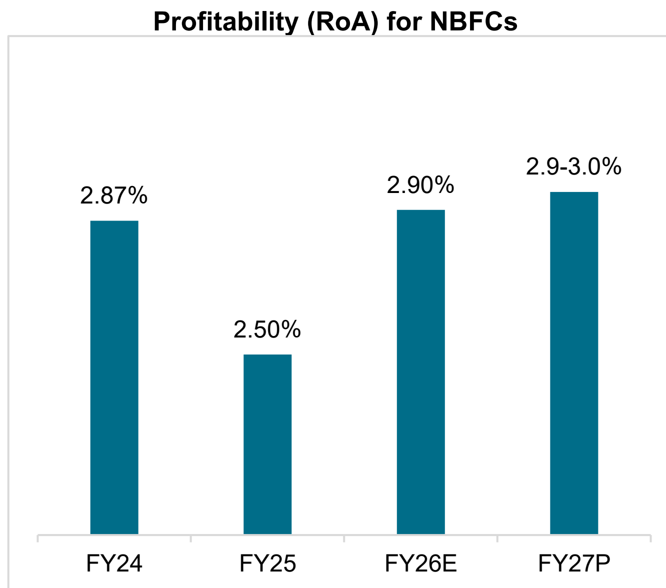
Note: The analysis is based on data from over 100 NBFCs, including HFCs, which collectively accounted for loans and advances of Rs 30,600 billion as on March 31, 2025. These NBFCs comprise over 80% of the outstanding loans and advances in the NBFC sector. The set excludes Power Finance Corporation (PFC) and Rural Electrification Corporation (REC)

Source: RBI, company reports, Crisil Intelligence

Profitability ratios of NBFCs



Note: Credit costs calculated on average total assets
Source: Crisil Intelligence



Note: ROA or return on assets calculated on average total assets
Source: Crisil Intelligence

ROA table for NBFCs across asset classes

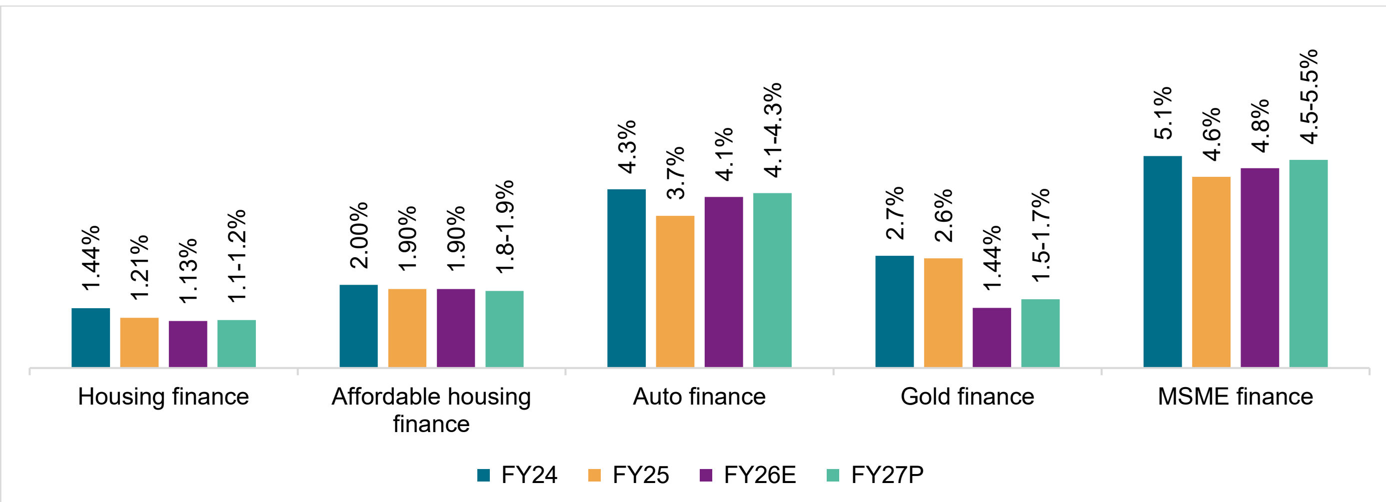
Asset class	Financial metric	FY24	FY25	FY26E
MSME loans	Interest income	15.6%	15.7%	15-16%
	Interest expense	6.7%	6.8%	5-6%
	Credit cost	2.0%	2.7%	2.7-2.8%
	RoA	3.8%	2.7%	3.4-3.6%
Auto loans	Interest income	12.2%	12.6%	12.4-12.5%
	Interest expense	6.4%	6.6%	6.4-6.5%
	Credit cost	1.3%	1.4%	1.4-1.5%
	RoA	2.6%	2.7%	2.7-2.8%
Housing loans	Interest income	10.0%	9.9%	9.6-9.7%
	Interest expense	6.3%	6.3%	6.0-6.1%
	Credit cost	0.3%	0.1%	0.3-0.4%
	RoA	2.2%	2.3%	2.1-2.2%
Gold loans	Interest income	15.9%	15.9%	16.2-16.3%
	Interest expense	6.3%	6.6%	6.1-6.2%
	Credit cost	0.4%	0.8%	0.5-0.6%
	RoA	4.2%	3.6%	5.0-5.1%
Education loans	Interest income	10.9%	10.8%	10.2-10.4%
	Interest expense	7.2%	7.3%	6.8-7.0%

Asset class	Financial metric	FY24	FY25	FY26E
	Credit cost	0.2%	0.2%	0.3-0.4%
	RoA	2.4%	2.6%	2.0-2.1%
Microfinance	Interest income	19.8%	20.3%	19.1-19.2%
	Interest expense	8.1%	8.1%	7.4-7.5%
	Credit cost	2.7%	8.6%	6-7%
	RoA	4.5%	-1.2%	0.0-0.5%

Note: The ratios are calculated on total average assets

Source: Company documents, Crisil Intelligence

GNPAs for NBFCs across asset classes



E - estimate; P - projected

Note: The ratios are calculated on total average assets

Source: Crisil Intelligence, Company documents

The housing portfolio at HFCs has demonstrated a positive trend, with GNPAs declining since fiscal 2024. The improvement in asset quality was driven by continued monitoring of early delinquencies as well as the sell-off of bad loans to asset reconstruction companies (ARCs). The asset quality of the housing portfolio of Affordable HFCs has improved significantly since fiscal 2024, when it had deteriorated to record levels, on the back of an improvement in collection efficiency, monitoring of loans at the grassroots, and better underwriting systems and processes.

The customer base of AHFCs is mostly self-employed people. Hence, these institutions have an increased presence on the ground to monitor loans and gather the latest information on the financial profiles/conditions of the borrowers, leading to an improvement in the asset quality.

The GNPAs of auto finance NBFCs are estimated at 4.1% in fiscal 2026 vs 3.7% in fiscal 2025, reflecting relatively higher asset quality pressure. The increase was primarily driven by elevated stress in relatively riskier borrower segments, particularly within two-wheelers and select commercial vehicle portfolios.

In the first nine months of fiscal 2026, the asset quality of MSME loans weakened due to rising delinquencies in the non-LAP loans and micro-LAP loans. We expect the GNPA ratio to remain at an elevated 4.5-5.5% in fiscal 2027.

The prolonged conflict in West Asia has started impacting the asset quality of the MSME loans, primarily due to supply chain disruptions and a surge in raw material costs. However, the ongoing peace talks, and the expected reopening of the Strait of Hormuz will significantly boost India’s macroeconomic outlook as easing geopolitical tensions and reduced energy premiums will lower the crude import bill, ease inflationary pressures and provide critical support to MSMEs.

MSME Credit in India

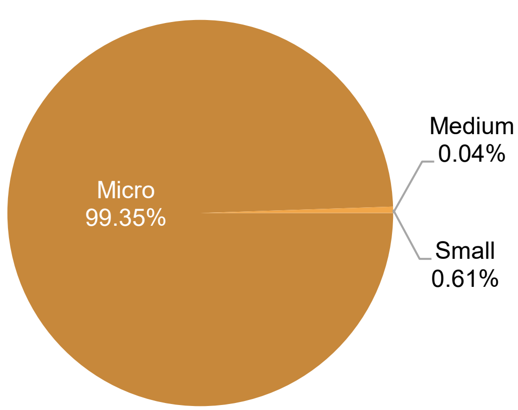
Overview of MSME sector in India

India's micro, small and medium enterprises (MSME) sector is a critical contributor to the country's economic growth, industrial output, exports and employment generation. MSMEs form the backbone of India's entrepreneurial ecosystem and play a vital role in promoting inclusive growth, regional industrialisation and self-employment opportunities in urban, semi-urban and rural geographies. The MSME sector contributes to India's socio-economic development by providing huge employment opportunities in rural and backward areas, reducing regional imbalances, and assuring equitable distribution of national wealth and income. As of June 30, 2026, there are approximately 8.9 million MSMEs in India contributing to a substantial portion of the national GDP and total workforce.

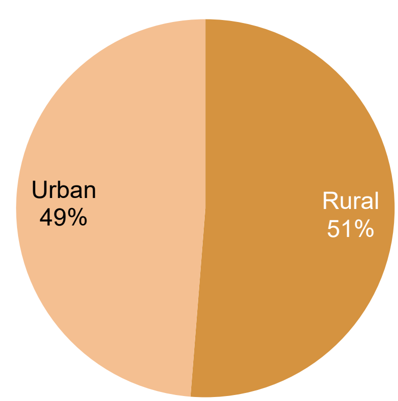
Currently, MSMEs significantly contribute to the country's GDP, underscoring their importance as the backbone of Indian exports. As per Economic Survey 2025-26, MSME accounts for approximately 35.4% of manufacturing, around 48.58% of exports, and 31.1% of GDP in the country.

Beyond economic impact, the sector is crucial for socio-economic progress, generating substantial employment opportunities as it is the second largest employer after Agriculture sector, particularly in rural and underdeveloped regions, thereby helping to reduce regional disparities and promote equitable wealth distribution. With over 7.94 crore enterprises employing over 35.06 crore persons, the sector holds its position as the second-largest employer after agriculture. The government projects that MSMEs' contribution to GDP will rise to between 40% and 50% by FY30.

Micro segment account for dominant share as percentage of total number of MSMEs*



Rural region accounts for marginally higher share as percentage of total number of MSMEs



*Source: *Ministry Of Micro, Small & Medium Enterprises (as on 7th July 2026), National Sample Survey (NSS) 73rd round dated June 2016, CRISIL Intelligence*

As of July 2026, micro enterprises accounted over 99% of total registered MSMEs in India. Small and medium enterprises accounted for 0.61% and 0.04%, respectively of the total registered MSMEs. Maharashtra, Uttar Pradesh and Tamil Nadu account for the highest number of registered MSMEs in the country, with Maharashtra accounting for 13%, followed by Uttar Pradesh and Tamil Nadu accounting for 11% and 8% respectively.

According to Niti Aayog's “Enhancing Competitiveness of MSMEs in India,” published in 2025, close to 81% of micro, small and medium-sized enterprises in India are estimated to be sole proprietorships, wherein a small business undertaking is run and managed by the business owner and the business, and the owner can virtually not be separated.

Behavioural shift in MSMEs

Due to various initiatives and schemes by the Government, MSMEs have witnessed a behavioural shift which is expected to help them in gaining more access to credit.

Formalization of MSMEs

The formalization of micro, small and medium-sized enterprises has accelerated in recent years, with the number of MSMEs registered on the Udyam portal rising sharply from fiscal 2016 to fiscal 2026, with more than 5 crore MSMEs registered on the portal as of June 2026. Udyam certificate is 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.

MSME credit gap a large, untapped opportunity

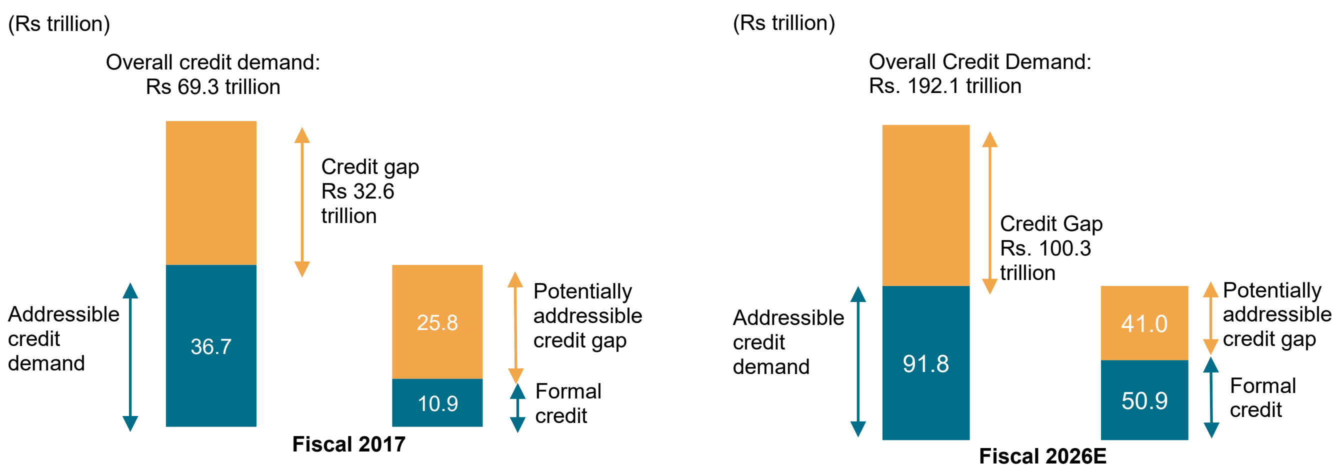
Despite the MSME sector being one of the largest contributors to India’s gross domestic product (GDP), employment generation and exports, access to formal institutional credit remains significantly lacking. High risk perception and prohibitive cost of delivering services physically have constrained formal lending to MSMEs. The MSME financing ecosystem continues to face a structural mismatch between the growing demand for credit and the ability of formal financial institutions to service this demand efficiently, particularly across micro and small enterprises.

The emerging self-employed individuals and micro, small and medium enterprise segment is largely unaddressed by lending institutions in India. Historically, formal lenders have remained cautious regarding MSME lending owing to the limited availability of audited financial statements, inadequate collateral coverage, thin or non-existent credit histories, fragmented business operations, cash-intensive business models and the relatively high operating costs of servicing smaller ticket-size borrowers.

Consequently, a substantial portion of India’s MSME sector continues to rely on informal financing channels including local money lenders, trade credit, unsecured borrowings and informal funding networks, often at higher borrowing costs. MSME credit demand was estimated at ~Rs 192 trillion as of fiscal 2026, of which 26-27% was met through formal financing. Assuming an increase of ~12% annually in the demand for credit and the availability of credit from formal sources, we estimate the credit gap to have increased to Rs 100 trillion in the fiscal.

We expect total addressable credit demand to have increased on account of greater support from banks and non-banking finance companies (NBFCs), 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) 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.

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



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.

Overview of overall MSME credit in India

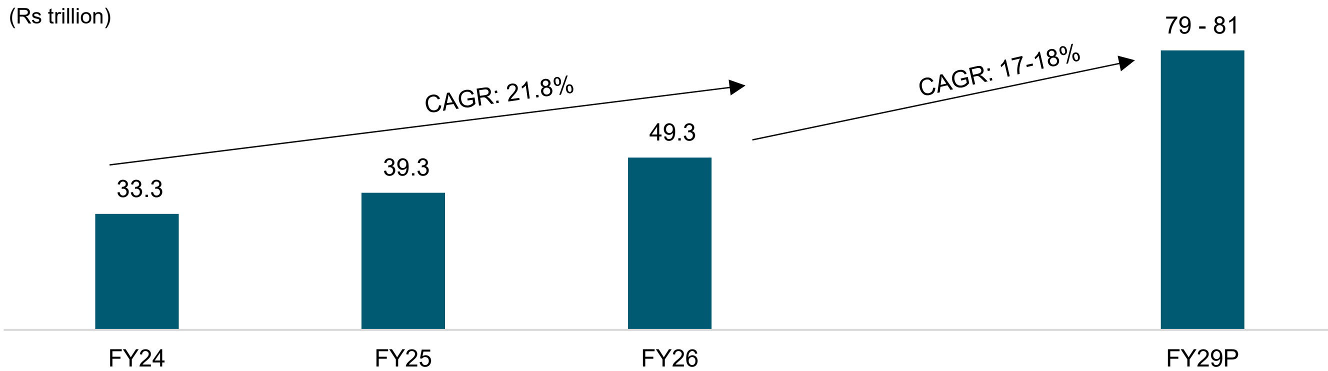
Overall MSME Credit Outstanding

CRISIL Intelligence estimates the total size of MSME lending market across ticket sizes and various player groups (banks, NBFCs, small finance banks, and other formal lenders) to be around Rs. 49 trillion as of March 31, 2026. This market size includes loans taken by MSMEs across various constitution types (sole proprietorships, partnership firms, private and public limited companies, and co-operatives) and the ticket size spectrum, and includes loans extended in the name of the firm/entity/company as well as the individuals in case of micro enterprises or entrepreneurs.

The two pandemic waves were particularly tough for the MSMEs on account of no or fewer economic activities. The pandemic led frequent lockdowns and restrictions interrupted supply chains, demand and hence profitability of the

MSMEs. During FY2023, the Indian economy normalised, with industrialisation and urbanisation picking up pace. In line with the overall growth, In FY2024, overall MSME credit grew by ~21% on the back of higher credit demand from MSME's, higher focus of lenders on the asset class leading to higher disbursements. In FY25, the credit growth in the MSME segment was slower given the overall market environment and regulator's view on overleveraging and asset quality concerns.

Portfolio outstanding for MSME portfolio to grow at 17-18% CAGR between FY26 and FY29



Note: P: Projected, Source: CRISIL Intelligence estimates

Growth drivers for MSME Credit

Large and increasing credit gap in the MSME segment

High risk perception and the prohibitive cost of delivering services physically have constrained the ability of traditional institutions to provide credit to underserved or unserved MSMEs and self-employed individuals. As a result, they resort to credit from informal sources. This untapped market offers huge growth potential for financial institutions.

Empowering MSMEs to transitioning from informal to formal credit

MSMEs need credit for various purposes, including term loans to expand the business and working capital for daily operational activities. Historically, for scaling up operations, many MSMEs have relied heavily on local money lenders who charged exorbitant interest rates and put forth opaque lending terms. MSME businesses often favoured the security of short-term financing, despite limited awareness of formal banking options and the heavy repayment obligations involved. Over time, this reliance hindered their competitiveness in the market. Today, MSMEs are increasingly turning to formal sources such as banks and NBFCs.

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 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 formalization of the Indian economy.

Increasing access and faster TAT

Due to availability of multiple data points and technology solutions, the lending process involving documentation, verification and processing of the transactions have 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, flexible repayment options due to simplified real-time digital payments system, have helped in reducing hassles, increasing access to credit for borrowers and faster TAT.

Growth in branch network of players offering MSME loans

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.

Increasing competition with 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 also cater to new-to-credit customers. This will expand the market for MSME loans.

Robust government support

MSMEs in India come under the purview of Government of India, Ministry of MSME, Khadi Village and Coir Industries Commission (KVIC). The budget for this fiscal introduced a comprehensive set of measures focused on improving liquidity, equity, capacity building and ease of business operations for MSMEs. The government announced a budgetary outlay of Rs 245.6 billion for the Ministry of MSMEs for the fiscal. Additionally, on May 5, 2026, the Union Cabinet approved Rs 181 billion for Emergency Credit Line Guarantee Scheme (ECLGS) 5.0, offering Rs 2.55 trillion in credit support (including Rs 50 billion for airlines) to aid businesses affected by the West Asia crisis. It will provide 100% guarantee for MSMEs and 90% for non-MSMEs, including airlines, to support liquidity, preserve jobs, and sustain supply chains.

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

In the Union Budget 2021-22, for NBFCs with a minimum asset size of Rs. 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 Rs. 5 million to Rs. 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 Rs. 2 million – Rs. 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 avail financing options/ benefits available to the category. This move will also aid in the formalization 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 Rs 5 million for manufacturing sector and Rs. 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. 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) 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. The ECLGS scheme provided guarantees worth Rs 3.7 trillion, out of the committed guarantee of Rs 5 trillion.

Other government initiatives addressing structural issues in the MSME market

Some of the other government and regulatory initiatives are detailed below:

- **Stand-up India:** It facilitates bank loans between Rs. 1 million and Rs. 10 million to at least one scheduled caste or scheduled tribe borrower and at least one-woman borrower per bank branch for setting up a greenfield enterprise.
- **Make in India**: Launched with an intention to make India a global manufacturing hub, which in turn will provide employment to numerous youths in India
- **Mudra loans**: To fulfil funding requirement of MSMEs who were earlier left out by financial institutions; credit guarantee support also offered to financiers.
- **59-minute loan:** Online marketplace that provides in-principal approval to MSME loans up to Rs. 10 million in 59 minutes.
- **Unified Payments Interface 2.0 (UPI 2.0):** Real-time system for seamless money transfer from account
- **Trade Receivables Discounting System (TReDS):** Institutional mechanism to facilitate financing of trade receivables of MSMEs from corporates and other buyers through multiple financiers.
- In an amendment to Factoring Regulation Act, 2011, the Lok Sabha passed the Factoring Regulation (Amendment) Bill in July 2021, which is expected to support more participation from NBFCs.

Further, there have been several schemes by the government such as Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship, Scheme of Fund for Regeneration of Traditional Industries, Micro and Small Enterprises-Cluster Development Programme, MSME Champions Scheme, etc.

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

Government led initiatives:

- **Introduction of UPI:** Simplified real-time digital payments
- **GST implementation:** Simplified business taxes, Improved formalization 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

Above are some of the broad initiatives in the market which are assisting lenders to facilitate growth in MSME lending market by leveraging technologies and alternate data points.

Additionally, such technological changes have led to innovative, simple, and cost-effective processes.

Customer acquisition/Sourcing: Lenders can use big data analytics, social media campaigns, partner with various stakeholders such as e-commerce platforms, provide multilingual chatbots, mobile apps, etc. to generate leads, and acquire customers. This makes the application process convenient and quick and increases the success rate of customer onboarding.

Underwriting: Lenders can use alternative data points (direct and derived variables) to assess creditworthiness of borrowers. Usage of advanced algorithms to identify risk profiles and repayment ability of borrowers can lead to sanctioning of loans to underserved and new-to-credit customers within minutes.

Cash flow-based lending utilising surrogate underwriting has become a highly effective tool for MSMEs. Instead of depending solely on traditional financial statements, NBFCs are assessing businesses through proxies such as volume and value of banking transactions, average monthly balances (AMB) and cash flow patterns. The surrogate method enables financial institutions to extend credit to viable businesses that lack conventional collateral but demonstrate strong operational cash flows.

Through proprietary scorecard model-based underwriting system for MSME rural loans, lenders assess a borrower's income-earning capacity by evaluating customers' asset documentation, cash flows, and income and non-income-related documents. Additionally, lenders also conduct reference checks within the borrower's local community, including their trading ecosystem, friends, family, and neighbours. This approach goes beyond traditional metrics such as documentation and credit scores typically used by banks and financial institutions, enabling a more holistic and tailored assessment of creditworthiness.

Collection: Flexible repayment options can be provided with initiatives such as e-NACH, UPI and other digital payment options which make the collection process easier and increase collection efficiency.

With all these changes in the lending process, penetration of digital lending has been increasing in the past few years with lenders trying to provide all the services digitally to customers.

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.

- **Focused approach to tap underserved niche borrower segments:** MSME focused 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 focused 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 Portfolio Outstanding

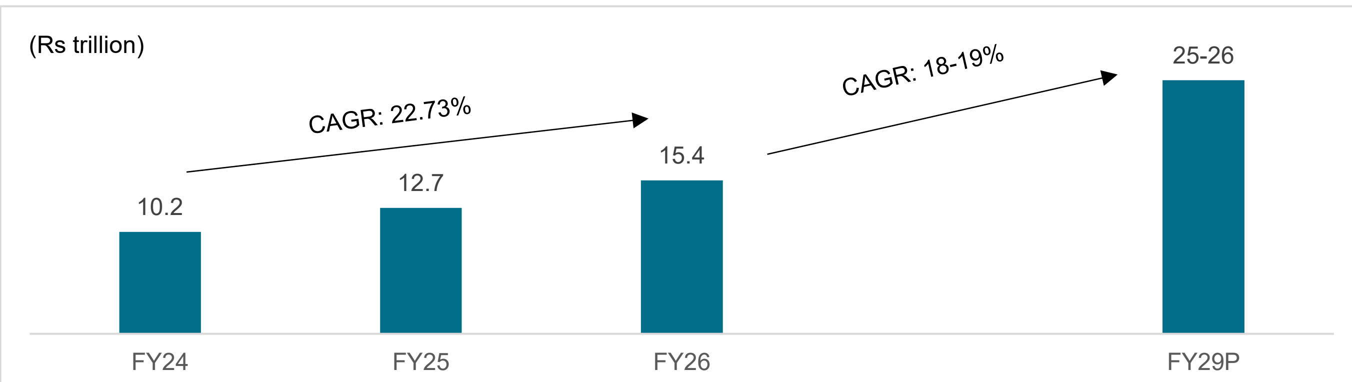
Overall Secured MSME portfolio outstanding grew by a CAGR of 22.73% over FY2024-26 period

The Secured MSME loan can be used for personal or business objectives, and both salaried and self-employed individuals are eligible to apply. A secured MSME loan can be obtained by mortgaging a residential or commercial real estate with the lender. The main purpose of the loan is not strictly regulated as it offers the financier security in the form of real estate. Secured MSME offers a lower interest rate than a personal or corporate loan. Self-employed borrowers are provided unsecured MSME loans in the absence of a collateral.

Overall Secured MSME loan segment grew at a strong pace with portfolio outstanding registering a CAGR of 22.73% from FY24 to FY26. CRISIL Intelligence estimates such outstanding secured MSME loans given out by banks and NBFCs to be around Rs. 15.4 trillion as of March 31, 2026.

Going forward, CRISIL Intelligence expects overall LAP portfolio to grow at 18-19% CAGR between fiscal 2026 and fiscal 2029 aided by increasing lender focus and penetration of such loans, enhanced availability of data increasing lender comfort while underwriting such loans, enhanced use of technology, newer players entering the segment, and continued government support.

Overall Secured MSME portfolio outstanding is projected to grow at a CAGR of 18-19% over FY26-FY29

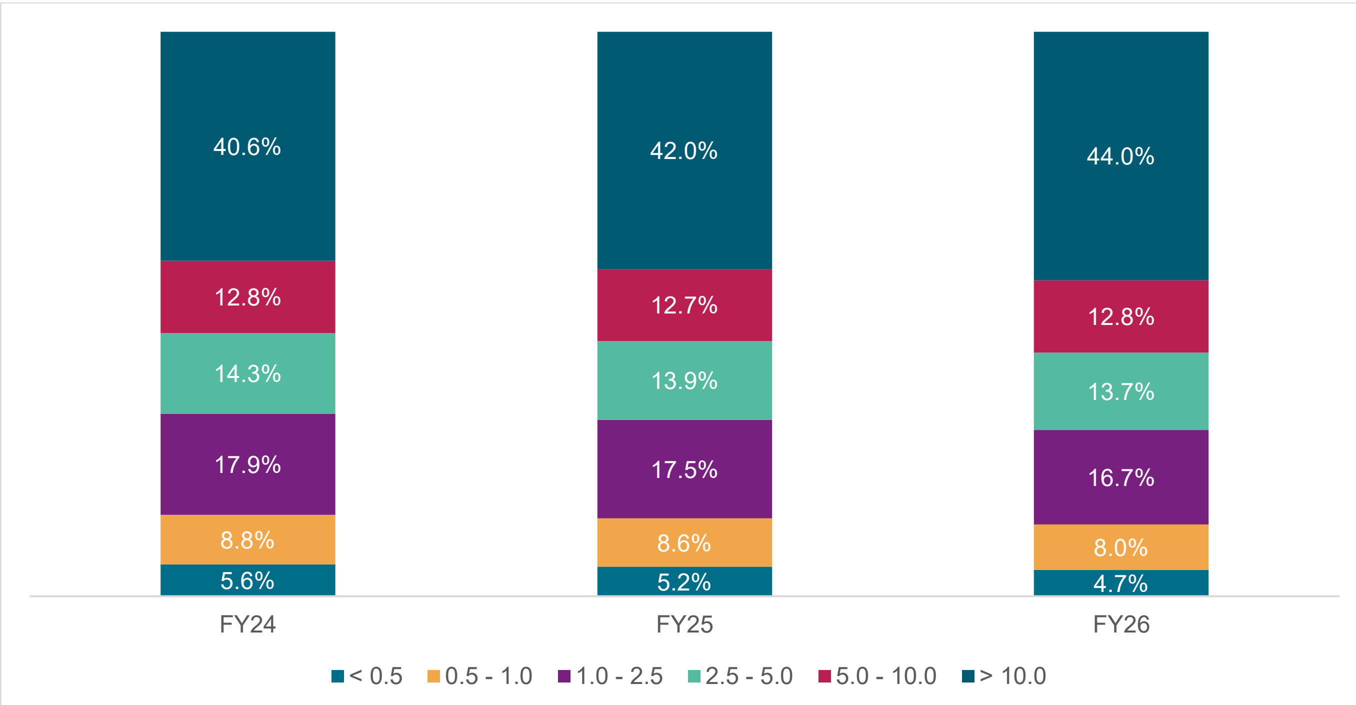


Note: P: Projected, Source: CRIF Highmark, CRISIL Intelligence

NBFCs focusing on lower ticket size segment (less than Rs. 0.5 million) can benefit from a larger addressable market. This trend indicates rising demand for smaller, secured loans, allowing NBFCs to expand their customer base, diversify risk, and potentially improve asset quality due to the secured nature of these loans.

These NBFCs primarily serve borrowers earning less than Rs. 1 lakh per month, many of whom have limited or no formal credit history. By addressing the needs of this underserved group, NBFCs advance financial inclusion and provide small businesses with essential funding for expansion and income generation.

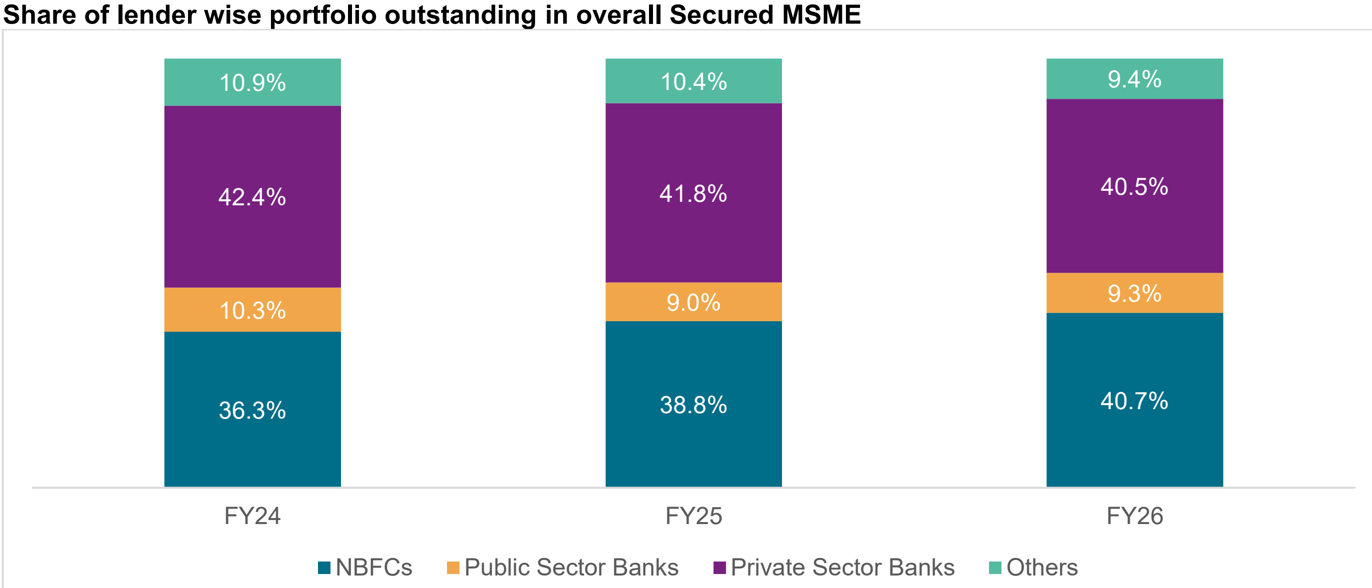
Share of overall secured MSME portfolio outstanding with ticket size < Rs. 0.5 million has been increasing in the overall pie



Note: Source: CRIF Highmark, CRISIL Intelligence

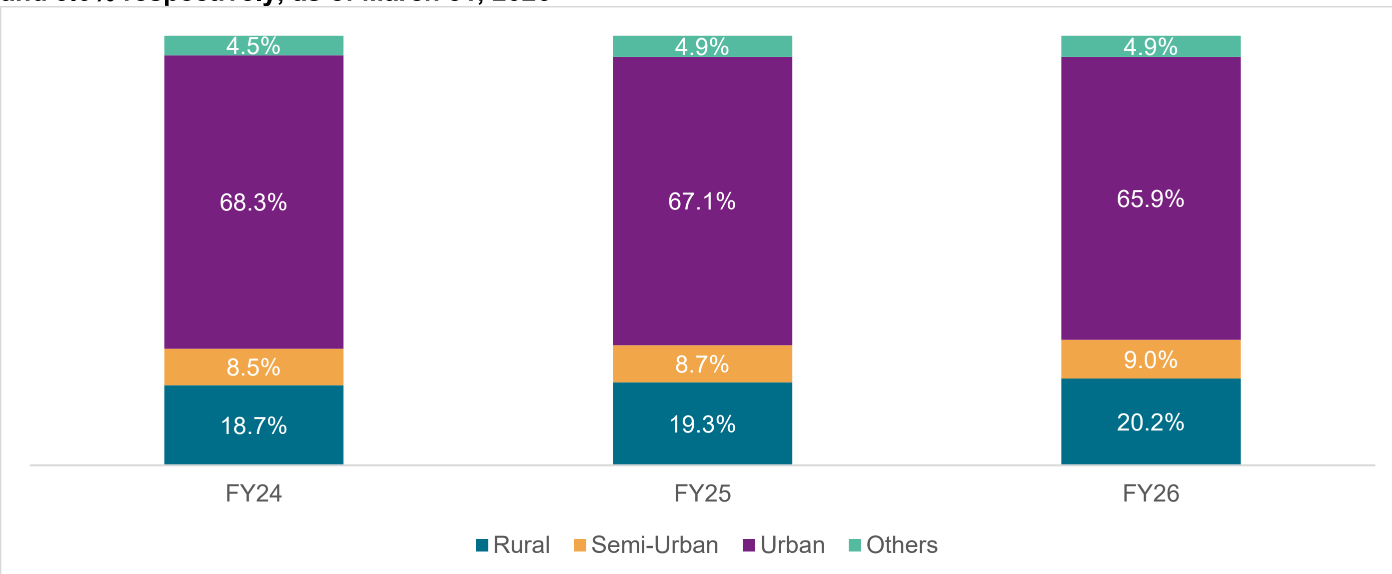
NBFCs have built a competitive advantage through superior underwriting of self-employed and informal-income borrowers. They have established a significant presence in MSME loans by prioritizing customer needs, ensuring quick turnaround times, delivering excellent customer service, and expanding their 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



Source: CRIF Highmark, CRISIL Intelligence

Share of Rural and Semi Urban areas in overall Secured MSME portfolio outstanding has increased to 20.2% and 9.0% respectively, as of March 31, 2026



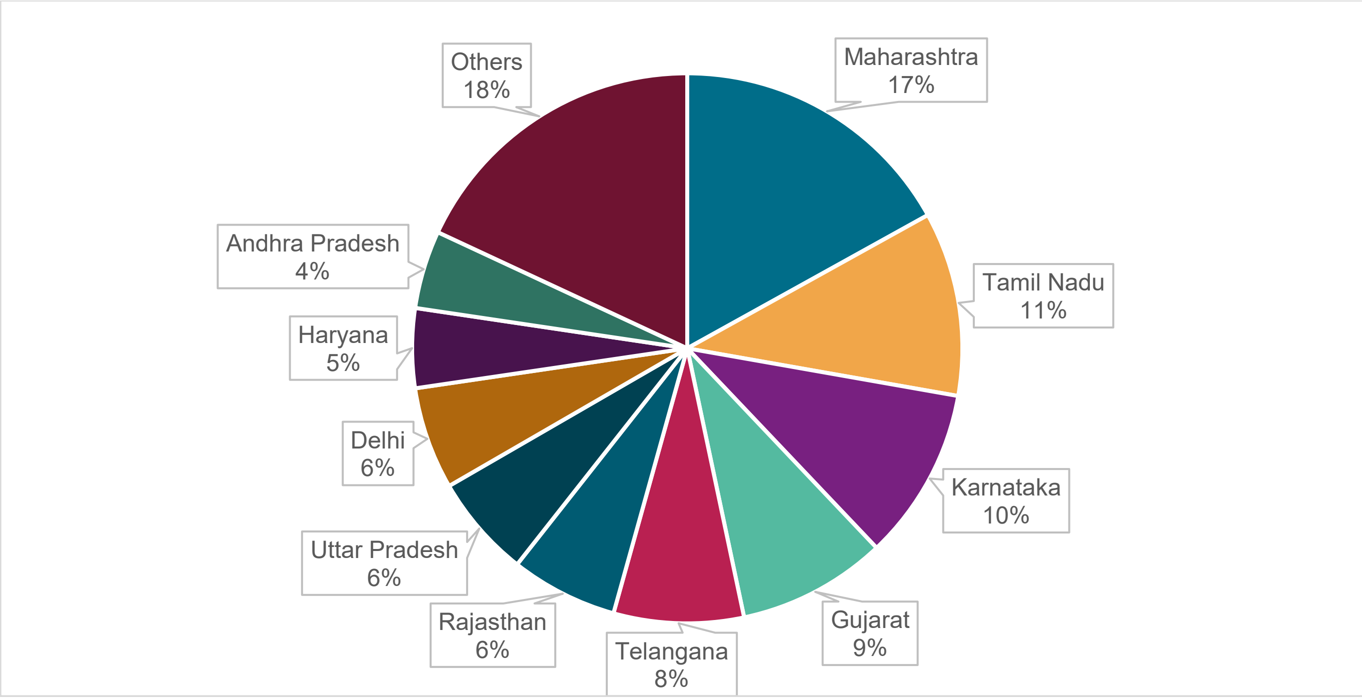
Note: Others include unclassified areas, Source: CRIF Highmark, CRISIL Intelligence

Lenders are utilizing technologies like AI, ML, and alternative credit scoring mechanisms to determine customer's creditworthiness. These non-traditional data points are assisting in the underwriting process for customers with limited credit history.

Maharashtra reported the highest share in overall Secured MSME portfolio outstanding as of March 31, 2026

As of March 31, 2026, 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 (8%).

Share of states in overall Secured MSME portfolio outstanding (FY2026)



Note: Others include Bihar, Uttarakhand, Odisha, Assam, Jharkhand, Chandigarh, Himachal Pradesh, Goa, Pondicherry, Jammu & Kashmir, Tripura, Dadra & Nagar Haveli, Meghalaya, Sikkim, Manipur, Mizoram, Nagaland, Daman & Diu, Arunachal Pradesh, Andaman and Nicobar, Lakshadweep and other unclassified loans outstanding
Source: CRIF Highmark, CRISIL Intelligence

Similarly, in terms of disbursement, Maharashtra recorded the highest amount at Rs. 971 billion, followed by Tamil Nadu, Gujarat, Uttar Pradesh, and Karnataka as of March 31, 2026. The top 15 states collectively contributed to approximately 96% of the market share of overall secured MSME portfolio outstanding as of March 31, 2026.

State wise analysis of overall secured MSME portfolio outstanding

State	GSDP at constant prices FY25 (in Rs. Billion)	Portfolio Outstanding FY26 (in Rs. Billion)	Portfolio CAGR FY24-26	Disbursement FY26 (In Rs. Billion)	Disbursement CAGR FY24-26	GNPA FY26
Maharashtra	26,714	2,615	20.08%	971	19.49%	4.17%
Tamil Nadu	17,322	1,671	21.89%	615	21.02%	2.66%
Gujarat	17,287	1,353	20.17%	474	13.67%	2.16%
Uttar Pradesh	16,349	933	31.38%	405	34.14%	2.69%
Karnataka	15,942	1,566	21.45%	593	19.95%	3.91%
West Bengal	9,558	377	18.26%	145	17.46%	6.10%
Rajasthan	9,036	971	26.23%	380	25.90%	2.49%
Andhra Pradesh	8,666	708	25.03%	245	18.21%	3.50%
Telangana	8,202	1,178	26.94%	434	18.52%	1.62%
Madhya Pradesh	7,237	602	28.35%	226	25.21%	3.85%
Delhi	7,155	929	23.19%	432	26.08%	2.07%
Kerala	6,853	447	7.49%	111	0.24%	8.24%

State	GSDP at constant prices FY25 (in Rs. Billion)	Portfolio Outstanding FY26 (in Rs. Billion)	Portfolio CAGR FY24-26	Disbursement FY26 (In Rs. Billion)	Disbursement CAGR FY24-26	GNPA FY26
Odisha	5,323	137	27.77%	55	29.17%	4.01%
Bihar	5,303	153	27.23%	58	22.72%	2.58%
Punjab	5,295	412	18.83%	148	16.94%	3.58%
Chhattisgarh	3,314	168	21.05%	62	23.67%	0.98%
Jharkhand	3,032	65	24.81%	25	17.72%	3.53%
Uttarakhand	2,155	123	19.93%	46	21.08%	2.34%
Himachal Pradesh	1,447	39	29.94%	17	40.44%	3.40%
Jammu & Kashmir-UT	1,417	29	35.89%	12	32.04%	2.04%
Goa	634	27	15.46%	9	21.13%	3.25%
Tripura	495	8	12.73%	2	4.75%	4.91%
Chandigarh	405	53	21.00%	23	25.28%	0.98%
Meghalaya	331	5	20.14%	1	-1.91%	1.97%
Puducherry	293	26	25.26%	10	34.65%	3.03%
Sikkim	259	5	13.18%	2	38.58%	0.87%
Manipur	252	4	22.68%	1	57.59%	9.34%
Mizoram	241	2	-3.12%	1	-25.85%	3.46%
Arunachal Pradesh	227	2	16.07%	1	-3.26%	2.62%
Andaman & Nicobar Islands	87	2	31.81%	1	33.60%	10.29%

Note: GNPA calculated as sum of portfolio with > 90 DPD, Source: CRIF Highmark, CRISIL Intelligence

Average ticket size (ATS) increased for all lenders from FY2024 to FY2026

As of March 31, 2026, private sector banks recorded the highest average ticket size of Rs. 3.44 million, trailed by public sector banks, NBFCs, HFCs, and other lenders.

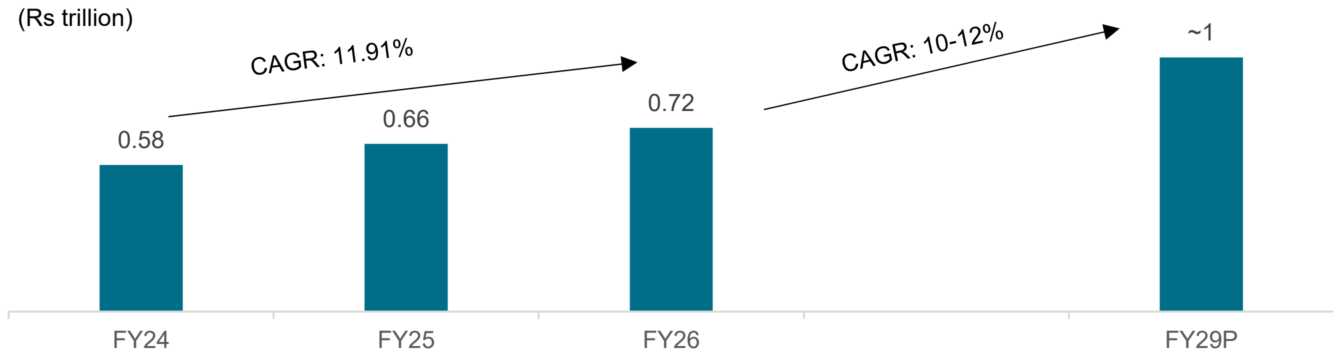
ATS (in Rs. Million)	FY24	FY25	FY26
Public Sector Banks	2.36	2.53	2.96
Private Sector Banks	2.43	2.71	3.44
NBFCs	2.31	2.26	2.89
HFCs	1.62	1.84	1.78
Others	1.47	1.72	1.97

Note: Others include foreign banks, SFBs and other small lenders, Source: CRIF Highmark, CRISIL Intelligencex

Secured MSME portfolio outstanding (< Rs. 0.5 million)

Secured MSME loan segment grew at a strong pace with portfolio outstanding registering a CAGR of 11.91% from FY2024 to FY2026. CRISIL Intelligence estimates such outstanding secured MSME loans given out by banks and NBFCs to be around Rs. 0.72 trillion as of March 31, 2026.

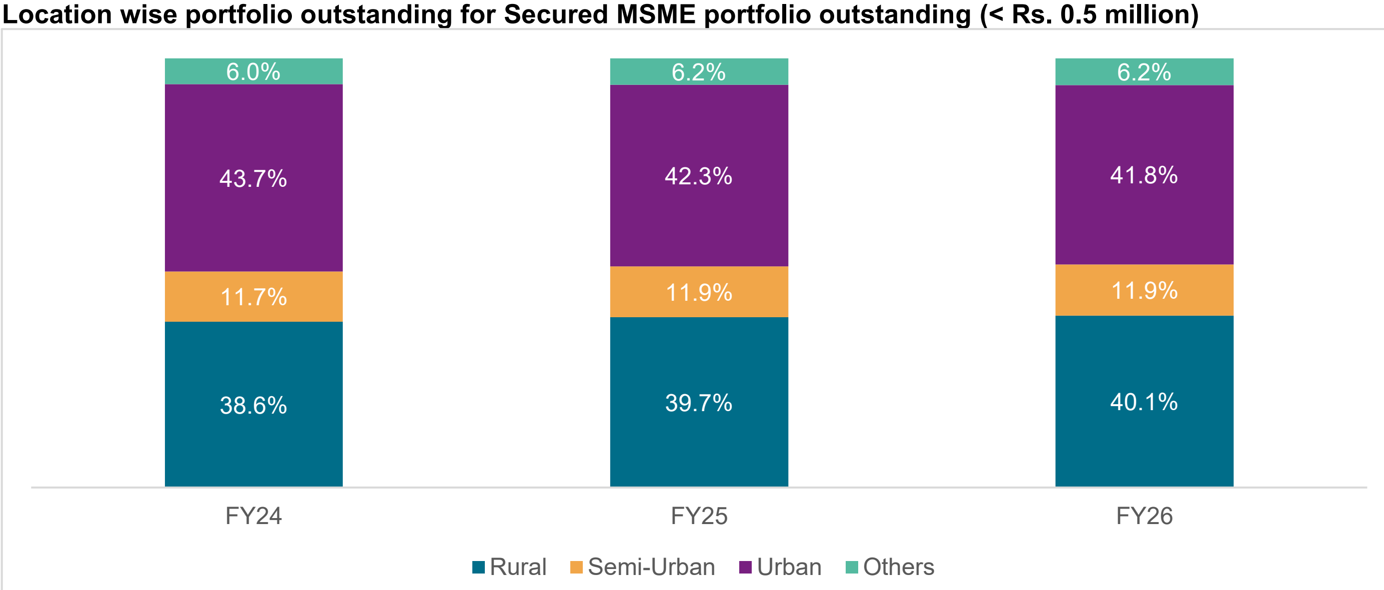
Secured MSME portfolio (< Rs. 0.5 million) to grow at 10-12% CAGR overs FY26-FY29



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

Going forward, CRISIL Intelligence expects the portfolio of secured MSME loans with ticket size < Rs. 0.5 million to grow at 10-12% CAGR over FY26 and FY29 aided by increasing focus and higher penetration lenders for such loans, enhanced availability of data thereby increasing lender comfort while underwriting such loans, enhanced use of technology and newer players entering the segment.

Location wise portfolio outstanding for Secured MSME portfolio outstanding (< Rs. 0.5 million)

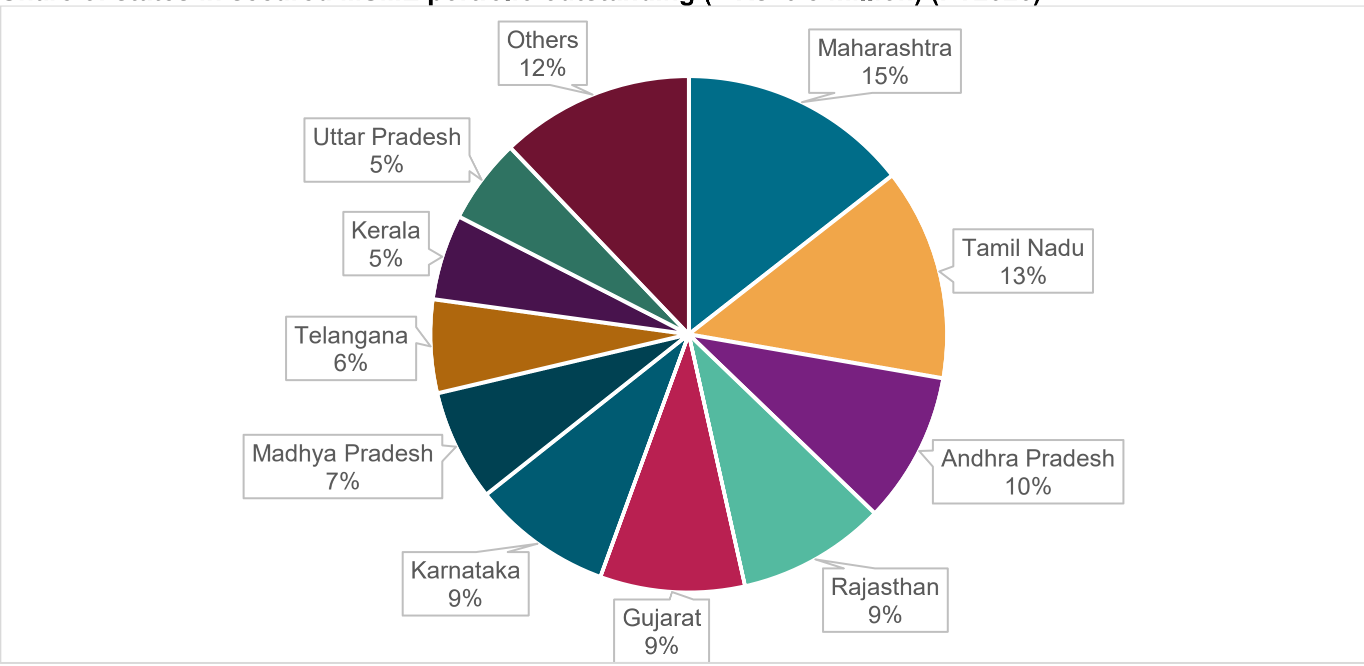


Note: Others include unclassified areas, Source: CRIF Highmark, CRISIL Intelligence

Maharashtra has the highest share of Secured MSME portfolio outstanding (< Rs. 0.5 million) as of March 31, 2026

As of March 31, 2026, Maharashtra reported the highest portfolio outstanding of secured MSME portfolio outstanding (< Rs. 0.5 million) at 15% followed by Tamil Nadu (13%), Andhra Pradesh (10%) and Rajasthan (9%).

Share of states in secured MSME portfolio outstanding (< Rs. 0.5 million) (FY2026)



Note: Others include Bihar, Uttarakhand, Odisha, Assam, Jharkhand, Chandigarh, Himachal Pradesh, Goa, Pondicherry, Jammu & Kashmir, Tripura, Dadra & Nagar Haveli, Meghalaya, Sikkim, Manipur, Mizoram, Nagaland, Daman & Diu, Arunachal Pradesh, Andaman and Nicobar, Lakshadweep and other unclassified loans outstanding
Source: CRIF Highmark, CRISIL Intelligence

State wise analysis of secured MSME portfolio outstanding < Rs. 0.5 million

State	Portfolio Outstanding < Rs. 0.5 million FY26 (In Rs. Billion)	Portfolio CAGR FY24-FY26	Disbursement < Rs. 0.5 million FY26 (In Rs. Billion)	Disbursement CAGR FY24-FY26	Average Ticket Size < Rs. 0.5 million (Rs. 000's)	GNPA FY26
Maharashtra	104.4	14.2%	24.5	4.0%	189.8	5.8%
Tamil Nadu	96.0	5.0%	26.3	-5.8%	257.7	6.2%
Andhra Pradesh	68.4	14.0%	19.1	-8.2%	303.4	6.4%
Rajasthan	67.2	14.7%	18.5	-3.2%	254.1	7.6%
Gujarat	65.5	15.4%	14.6	-1.2%	190.5	4.9%
Karnataka	63.4	9.8%	18.3	0.7%	236.3	14.1%
Madhya Pradesh	50.5	20.6%	14.1	-2.2%	234.4	10.4%
Telangana	42.3	17.9%	12.6	2.7%	251.0	3.8%
Kerala	38.7	-4.8%	5.5	-28.8%	262.1	13.6%
Uttar Pradesh	38.5	23.5%	11.9	13.3%	208.5	7.0%
Haryana	16.1	14.8%	4.7	-5.0%	199.4	4.7%
West Bengal	14.9	10.1%	3.9	2.5%	214.6	10.2%
Punjab	13.3	6.2%	3.0	-11.3%	203.3	7.8%
Delhi	12.0	15.8%	3.6	10.3%	169.6	4.1%
Uttarakhand	6.1	12.4%	1.5	6.9%	160.0	3.1%
Chhattisgarh	5.5	4.9%	1.3	-8.3%	160.6	4.9%
Odisha	5.2	5.5%	1.2	-11.6%	240.7	9.0%

State	Portfolio Outstanding < Rs. 0.5 million FY26 (In Rs. Billion)	Portfolio CAGR FY24-FY26	Disbursement < Rs. 0.5 million FY26 (In Rs. Billion)	Disbursement CAGR FY24-FY26	Average Ticket Size < Rs. 0.5 million (Rs. 000's)	GNPA FY26
Bihar	4.8	23.0%	1.2	-0.2%	221.6	5.1%
Assam	2.2	12.0%	0.4	-18.8%	191.6	9.6%
Jharkhand	1.8	-2.8%	0.3	-30.5%	244.0	9.0%
Himachal Pradesh	1.1	2.6%	0.2	8.5%	235.1	7.2%
Pondicherry	0.8	-2.5%	0.2	-16.3%	248.3	6.6%
Goa	0.7	0.9%	0.1	-17.9%	261.1	3.9%
Chandigarh	0.6	12.3%	0.2	1.7%	166.4	2.9%
Dadra & Nagar Haveli	0.6	21.0%	0.0	7.6%	130.2	2.2%
Jammu & Kashmir	0.4	11.1%	0.1	2.8%	223.1	16.8%
Tripura	0.2	5.4%	0.0	-25.3%	196.4	6.4%
Nagaland	0.2	137.0%	0.1	111.5%	158.1	1.9%
Daman & Diu	0.2	15.8%	0.0	7.6%	130.2	5.5%
Manipur	0.1	17.8%	0.0	-5.1%	252.1	10.2%
Mizoram	0.1	59.3%	0.0	69.1%	274.0	12.9%
Meghalaya	0.1	5.2%	0.0	-2.2%	94.5	1.6%
Sikkim	0.1	21.8%	0.0	7.9%	206.7	7.3%
Andaman and Nicobar	0.0	13.8%	0.0	15.2%	196.0	18.3%
Arunachal Pradesh	0.0	8.7%	0.0	-13.5%	200.9	4.1%
Lakshadweep	0.0	-5.2%	0.0	-28.8%	176.4	0.0%

Note: GNPA calculated as sum of portfolio with > 90 DPD, Source: CRIF Highmark, CRISIL Intelligence

Asset Quality Metrics

Private sector banks had the best asset quality among major lenders with 90+ DPD at 1.02% as of March 31, 2026

Asset quality for all lenders deteriorated in FY2021 due to the pandemic where income of the borrowers was impacted which led to rise in GNPA numbers. With continued improvement in economic activity, better collection efficiency and strong credit growth, GNPA level started improving. Private sector banks exhibited better asset quality compared to the other industry players as of March 31, 2026.

Lender wise asset quality of overall secured MSME portfolio

Lender	FY24	FY25	FY26
NBFCs	4.94%	3.45%	3.02%
Public Sector Banks	5.75%	4.23%	4.14%
Private Sector Banks	1.41%	1.27%	1.02%
Others	9.85%	13.75%	12.58%

Note: Others include foreign banks, SFBs. Source: CRIF Highmark, CRISIL Intelligence

Ticket wise asset quality

As of March 31, 2026, ticket size less than Rs. 0.5 million has reported the highest GNPA level at 7.5%, However, this high level of NPA gets offset to some extend by charging higher interest rates compared to other ticket sized loans. Loans of ticket size 0.5 -1.0 million reported GNPA level of 5.1% during the same period.

Asset quality: 90+ Days Past Due ("DPD") across various ticket sizes

Ticket size	FY24	FY25	FY26
< Rs. 0.5 million	5.9%	6.8%	7.5%
0.5 million - 1.0 million	4.3%	4.6%	5.1%
1.0 million – 2.5 million	3.7%	3.6%	3.3%
2.5 million – 5.0 million	3.5%	3.3%	2.8%
5.0 million – 10 million	3.5%	3.2%	2.7%
>10 million	4.3%	3.4%	2.6%
Overall (90+ DPD)	**4.1%**	**3.7%**	**3.2%**

Source: CRIF Highmark, CRISIL Intelligence

Threats and challenges in MSME loan segment

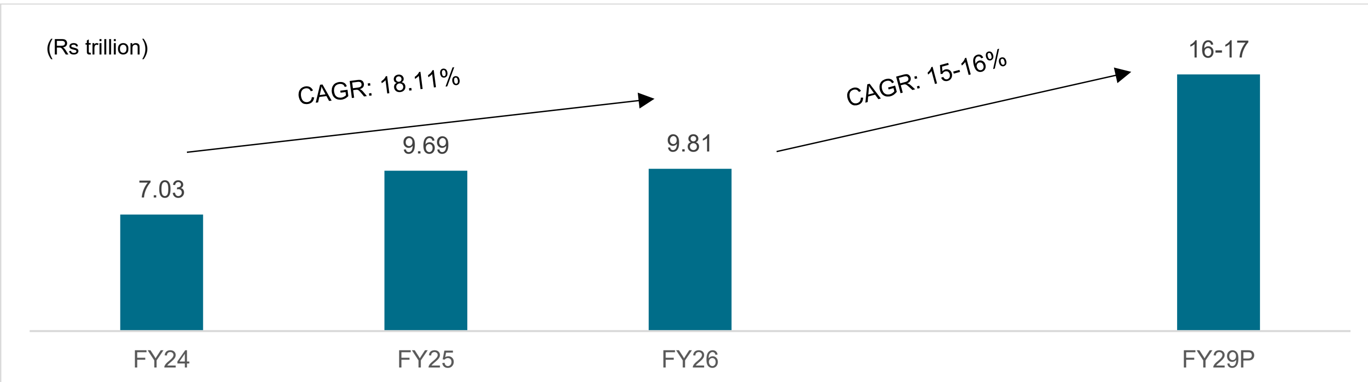
MSME lending segment is expected to witness a rapid growth in the upcoming fiscals, however, there are a few risks associated with lending to this segment.

- **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 behaviour.
- **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 of adaptability to technological changes:** As technological environment is dynamic in nature and keeps on changing, it is tough for MSMEs to keep up with changes owing to lack of capital and hence 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.

Unsecured Business Loans

Unsecured business loans (UBL) have emerged as a critical credit source for MSMEs and micro-enterprises lacking collateral, supporting their working capital requirements, business expansion and formalisation. Growth was strong between fiscals 2024 and 2026, driven by increasing digital adoption, wider credit penetration and the use of alternate data sources for underwriting.

Unsecured business loan portfolio witnessed a CAGR of 18.11% from FY24-26



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

Overall Unsecured Business Loans sector in India, stood at Rs. 9.81 trillion as of March 31, 2026, witnessing a CAGR of 18.11% from FY24-26.

Going forward, unsecured business loans sector is expected to grow at a CAGR of 15-16% till FY29. The moderation reflects a higher base, tighter regulatory oversight on unsecured lending, lender focus on portfolio quality following recent stress in borrower leverage and a more calibrated approach to credit growth. Nevertheless, continued expansion of the MSME ecosystem, increasing formalisation and advancements in cash-flow-based underwriting are expected to sustain healthy double-digit growth in the segment.

Loans less than Rs. 0.2 million witnessed the fastest growth in Unsecured business loan segment

Among ticket brackets, loans less than Rs. 0.2 Mn. witnessed the fastest growth among ticket brackets growing at a CAGR of 44.6%, accounting for 9% share in overall unsecured business loan segment in fiscal 2026. This was followed by loans between Rs. 0.2 to 0.5 Mn growing at a CAGR of 25.8%, accounting for 6% share. Loans more than Rs. 2.5 million accounted for the highest share in unsecured business portfolio outstanding, with a share of 65% growing at a CAGR of 18.5%.

Ticket Bracket	FY24	FY25	FY26	CAGR (FY24-FY26)
Less than Rs.0.2 Mn.	0.42	0.65	0.88	44.6%
Rs. 0.2 Mn to Rs. 0.5 Mn.	0.38	0.61	0.60	25.8%
Rs. 0.5 Mn. to Rs. 1 Mn.	0.56	0.70	0.62	5.3%

Ticket Bracket	FY24	FY25	FY26	CAGR (FY24-FY26)
Rs. 1 Mn. to Rs. 2.5 Mn.	0.98	1.23	1.18	9.3%
More than Rs. 2.5 Mn.	4.54	6.36	6.38	18.5%
Others	0.15	0.14	0.15	1.1%

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 FY24-FY26

Among lenders, Public Sector banks accounted for the highest share in credit outstanding with a share of 38% in fiscal 2026. However, private sector banks witnessed the fasted growth during FY24-FY26, growing at a CAGR of 47.5% in the unsecured business loan segment followed by NBFCs witnessing a CAGR of 34.8%.

NBFCs accounted for 26% of the overall UBL segment, whereas banks held 63% share of the total UBL credit portfolio as of March 2026, with public banks leading credit deployment in this segment. NBFCs have expanded aggressively in unsecured MSME lending, recording 34.8% CAGR between fiscals 2024 and 2026, mainly because they are filling a large gap left by traditional banks, which often prefer secured borrowers and stricter eligibility norms. A significant portion of MSMEs, especially micro and small businesses, either lack formal collateral or do not fit conventional bank underwriting models, creating a large underserved market.

Portfolio Outstanding (In Rs. trillion)	FY24	FY25	FY26	CAGR (FY24-FY26)
NBFCs	1.39	2.26	2.52	34.8%
Public Sector Banks	3.40	4.08	3.68	4.0%
Private Sector Banks	1.16	2.27	2.53	47.5%
Others	1.08	1.07	1.07	-0.2%

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

Among major lenders, Private sector banks had the highest average ticket size at 1.3 Mn

Among major lenders present in the unsecured business loan segment, Private sector banks had the highest loan average ticket size at Rs. 1.3 Mn. which was followed by other lenders with their average ticket size at Rs. 1.0 Mn. as of March 31, 2026. Average ticket size for NBFCs stood at Rs. 0.4 million as of March 31, 2026.

Lender wise average ticket

Lender (in Rs.)	FY24	FY25	FY26
NBFCs	485,791	447,765	414,621
Private Sector Banks	1,117,406	1,128,658	1,346,700
Public Sector Banks	745,742	728,920	551,031
Others	1,691,747	1,711,166	975,162

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

Among lenders, Private sector banks and NBFCs had best asset quality in Unsecured business loan segment as of March 31, 2026

Among lenders, private sector banks had the best asset quality in the unsecured business loan segment with 90+ DPD at 4.7% as of March 31, 2026, this was followed by NBFCs with 90+ DPD at 8.0%.

Lender wise asset quality

Lender	GNPA FY24	GNPA FY25	GNPA FY26
NBFCs	7.4%	6.6%	8.0%
Public Sector Banks	19.6%	16.4%	17.0%
Private Sector Banks	7.2%	6.1%	4.7%
Others	14.6%	17.1%	23.1%

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

Urban regions accounted for the highest share in Unsecured business loan segment, accounting for 62% share

Urban regions accounted for the highest share in Unsecured Business Loan Segment, accounting for 62% market share followed by rural regions accounting for 25% share and semi-urban regions accounting for 10% market share. While the fastest growth was witnessed in rural regions during the fiscals growing at a CAGR of 22.8% from FY24-FY26.

Region wise share of unsecured business loan segment

Tier	FY24	FY25	FY26	CAGR (FY24-FY26)
Rural	1.60	2.24	2.42	22.8%
Semi-Urban	0.67	0.93	0.96	20.1%
Urban	4.48	6.12	6.04	16.1%
Others	0.28	0.40	0.38	17.3%

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

Profitability of NBFC players present in the Unsecured business loan segment

NBFCs in the Unsecured Business Loan segment operate with yield in the range of 25-27%, on average. With average cost of funds being in the range of 12-13%, net interest margins (NIMs) for this segment are in the range of 11-17%.

Competitive scenario in the Unsecured business loan segment

Parameter	FY24	FY25	FY26
Yield on advances	25.6%	27.3%	NA
Cost of Borrowings	12.2%	13.1%	12.2%
Net Interest Margins	16.9%	11.8%	11.4%
Return on Assets	2.9%	-1.4%	-2.6%

Parameter	FY24	FY25	FY26
ROE	11.7%	-5.7%	-9.0%

Note: NA – Data for Interest on loans and advance for some companies is not available, Sources: Company Reports, CRISIL Intelligence

Key growth factors in the Unsecured business loan landscape

Higher interest rate margins: Unsecured Business Loans typically carry higher interest rates compared to secured loans. The higher yield on unsecured loans compensates for the additional risk involved, making it an attractive option for lenders seeking higher returns.

Technology adoption: Leveraging technology in credit assessment, loan processing, and monitoring can streamline operations, reduce costs, and enhance efficiency in Unsecured Business Loan lending. Automated credit scoring models and digital platforms enable lenders to make faster decisions and serve a larger number of borrowers

Regulatory support: Government initiatives such as the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) provide support to lenders to offer unsecured credit to MSMEs. These schemes help mitigate risks for lenders and promote increased lending to small businesses

Promoting financial inclusion: Providing Unsecured credit to micro and small enterprises plays a crucial role in promoting financial inclusion. Many small businesses lack requisite collateral to avail formal credit. By offering unsecured credit lenders can reach underserved businesses and support their growth and development.

Customised solutions: By understanding the challenges and aspirations of small businesses, lenders can provide tailored solutions, Lenders can customize financial products to suit the unique needs and cash flow patterns of Business loan borrowers, fostering long-term relationships and loyalty.

Key risks in the Unsecured business loan landscape

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, small businesses 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: Small Businesses often face delays in payments which significantly impact their cash flow cycle and in-turn impact their repayment behaviour.

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.

Vulnerable customer segment: The target customer segment for unsecured business loans is vulnerable to economic vagaries and the associated credit risk is relatively higher as compared to the secured business loans

Housing Finance Industry in India

Long-term demand fundamentals in the housing sector

Housing demand in India is driven by deep-rooted structural factors with enduring momentum. Ongoing urbanization is propelling migration from rural to urban centres, sustaining robust demand for residential properties, especially in emerging and rapidly urbanizing areas. India's demographic advantage a youthful population, growing workforce, and the increasing prevalence of nuclear families, continues to fuel the need for affordable homeownership. Rising household incomes and improved access to formal credit have empowered a broader segment of the population, particularly first-time buyers in Tier II, Tier III, and semi-urban markets, to realize their homeownership aspirations amid relatively better affordability and improving living standards. Policy measures such as the Pradhan Mantri Awas Yojana (PMAY) have further strengthened demand by enhancing credit accessibility and affordability. Concurrently, the formalization of employment, growing financial literacy, and widespread digital adoption have expanded the pool of eligible borrowers. Collectively, these factors ensure sustained demand for affordable housing and provide a solid foundation for the long-term expansion of the housing finance sector, reinforcing its role as a key enabler of India's economic and social progress.

Estimated shortage of housing

Despite sustained demand, India continues to face a structural housing shortage, particularly in urban areas and within economically weaker and lower-income segments. Historical assessments of housing demand and supply indicate that most of this shortage is concentrated in the affordable housing category, highlighting a mismatch between what is supplied and what is required by the population.

Estimated shortage in 2025 and 2030

Housing shortage in India in 2025 and 2030		
In Million	CY 2025E	CY2030E
Population	1,408.00	1,525.10
Household size	4.00	4.00
No. of houses (A)	290.90	317.30
Required houses (B)	352.00	381.30
Overall shortage (B-A)	**61.10**	**64.00**

Note: E: Estimated; Required houses = Population/household size
Source: Census 2011, RBI, Crisil Intelligence

Crisil Intelligence estimates the housing shortage for 2025 at 61.10 million housing units, growing to approx 64.00 million by 2030.

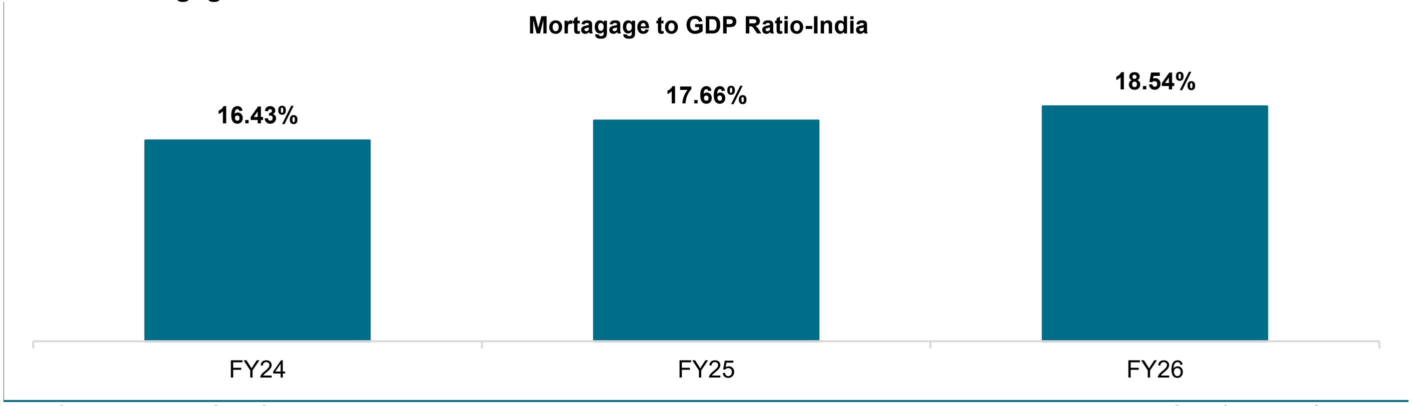
Government-run schemes such as PMAY have enabled the completion of ~40 million houses between CY 2019 and CY 2025 (rural and urban). However, the shortfall of 61.10 million houses in CY 2025 is estimated to increase marginally to 64.00 million units by CY 2030, despite additional housing supply through such government-run schemes.

While housing supply has improved over the past decade through private sector participation and government-led initiatives, constraints such as land availability, regulatory approvals, project execution timelines and financing challenges continue to limit the pace at which the gap can be bridged.

Mortgage-to-GDP ratio in India grew to 18.54% as of March 31, 2026

In fiscal 2026, India's mortgage-to-GDP ratio stood at 18.54%. Though low compared with other developing countries, it has significantly improved. The factors that contributed to the improvement are rising incomes, improving affordability, growing urbanisation and nuclearization of families, emergence of tier-II and tier-III cities, ease of financing, tax incentives, and widening reach of financiers.

Trend in mortgage-to-GDP ratio in India



Data for mortgage to GDP for India includes both Housing loans and loans against property loan outstanding over constant GDP for India; Source – MOSPI, CRIF Highmark, Crisil Intelligence

Key growth drivers for housing finance sector

- **Cross-market capital flows into real estate:** The Indian real estate sector in 2026 is experiencing a phase of "structural maturity," where high returns from other investment assets are being recycled into down payments for residential property. Investors are utilizing profits from other high-performing asset classes such as equity, gold, various mutual funds to fund the 20-30% down payment required for property purchases, spurring demand for housing in the country.
- **Demographic dividend:** India's young population profile, coupled with rising nuclearization of families, continues to support sustained housing demand. A growing working-age population, increasing female workforce participation, and earlier household formation have structurally increased the demand for owner-occupied housing, translating into long-term growth in housing loan originations.
- **Changing housing preferences and lifestyle shifts:** Post-pandemic shifts toward hybrid and remote working have altered housing preferences, with increased demand for larger homes and ownership-led consumption, particularly in peripheral urban areas and non-metro cities. This has supported demand for both affordable and mid-income housing loans, and increased mortgage penetration in emerging residential corridors.

- **Rising Income & improving affordability:** Housing affordability has improved over the medium term due to rising incomes and the expected transmission of recent monetary easing to retail lending rates. Lower interest rates enhance loan eligibility and reduce EMI burdens, particularly for affordable and mid-income borrowers who are highly sensitive to monthly repayment obligations. Improved affordability is expected to support incremental housing demand and credit uptake. Also, implementation of the 8th Pay commission, pay revision exercise undertaken by the Government of India (GOI) to revise the salaries and allowances of central government employees, is expected to increase the disposable income, potentially spurring demand for housing.
- **Data availability and technology advancement:** Formalization of economy through initiatives such as GST, digitization of payments, financial inclusion and deeper credit bureau penetration has increased the data availability which is being used by players for better understanding of customers, estimating income and mortgage processing, thereby increasing the pool of borrowers eligible for housing finance including informal salaried and self-employed customers, with limited formal income proofs.
- **Government support:** The Government of India's "Housing for All" vision continues to act as a foundational pillar for the housing ecosystem. Flagship programs such as the Pradhan Mantri Awas Yojana (PMAY – Urban and Rural) have played a critical role in promoting home ownership among economically weaker sections (EWS), low-income groups (LIG), and middle-income households. Interest subsidy schemes, beneficiary-linked incentives, and targeted budgetary allocations under PMAY have directly enhanced affordability and expanded the formal housing finance market. In addition, initiatives such as the Special Window for Affordable and Mid-Income Housing (SWAMIH) support the completion of stalled residential projects, reducing execution risk and restoring buyer confidence. These measures facilitate housing supply completion, enable mortgage disbursements against completed or near-completed projects, and strengthen lender confidence.

Government initiatives for housing sector

Implementation of PMAY (Urban and Gramin)

Pradhan Mantri Awas Yojana (PMAY) was implemented to provide affordable permanent (pucca) homes with basic amenities to homeless and low-income families, driven by the core vision of "Housing for All" to eradicate poverty, improve living standards, and replace unsafe kutcha houses

PMAY's progress as on July 15, 2026

Progress of PMAY-U	Number of houses/values	Progress of PMAY-G	Number of houses/values
Houses sanctioned	12.77 million	Houses targeted	40.86 million
Houses grounded	12.10 million	Houses sanctioned	39.14 million
Houses completed	9.91 million	Houses completed	31.00 million
Central assistance committed	Rs 2,125 billion	Fund allocated	Rs 3,765 billion

Central assistance released	Rs 1,806 billion	Fund released	Rs 3,564 billion
Total investment	Rs 8,960 billion	Fund utilised	Rs 4,101 billion

Source: PMAY website, Crisil Intelligence

PMAY Benefits for women

The Pradhan Mantri Awas Yojana (PMAY) scheme offers exclusive benefits to women co-owners, promoting gender equality and women's empowerment in homeownership. A key provision of the scheme requires at least one-woman co-owner in the property, thereby ensuring formal ownership stakes in family assets and fostering women's participation in decision-making processes.

Under the Credit Linked Subsidy Scheme (CLSS) component of PMAY, women homeowners or co-owners belonging to the Economically Weaker Section (EWS) and Lower-Income Group (LIG) are eligible for interest subsidies on housing loans. This provision significantly reduces the Equated Monthly Instalments (EMIs) and overall cost of the house, making homeownership more affordable and accessible.

Notably, eligible women owners can avail an increased subsidy of up to Rs. 2.67 lakhs on home loans, providing them with substantial financial relief and incentivizing women's participation in the housing sector.

Atal Mission for Rejuvenation and Urban Transformation (AMRUT)

AMRUT aims to provide basic services (e.g., water supply, sewerage and urban transport) to households, build amenities in cities and improve the quality of life for all, especially the poor and the disadvantaged.

Key components include:

- Access to a tap with assured water supply for every household
- Assured sewerage connection in every household
- Better amenities in cities by developing greenery and well-maintained open spaces (such as parks)
- Lower pollution by switching to public transport or constructing facilities for non-motorised transport (e.g., walking and
- cycling)

Status of AMRUT 2.0 as of July 12, 2026	Projects	Value
Approved by MoHUA	8,777	Rs 1,971.92 billion
Contracts awarded	7,694	Rs 1,507.81 billion

Source: Ministry of Housing and Urban Affairs (MoHUA), Crisil Intelligence

Digital India Land Records Modernisation Programme (DILRMP)

The Digital India Land Records Modernisation Programme aims to develop a modern, comprehensive and transparent land record management system with an integrated land information management system which will, among other things, (i) improve real-time information on land; (ii) optimise use of land resources; (iii) benefit both landowners and prospectors;

(iv) assist in policy and planning; (v) reduce land disputes; (vi) check fraudulent/benami transactions (vii) obviate the need for physical visits to revenue/registration offices and (viii) enable sharing of information with organisations/agencies.

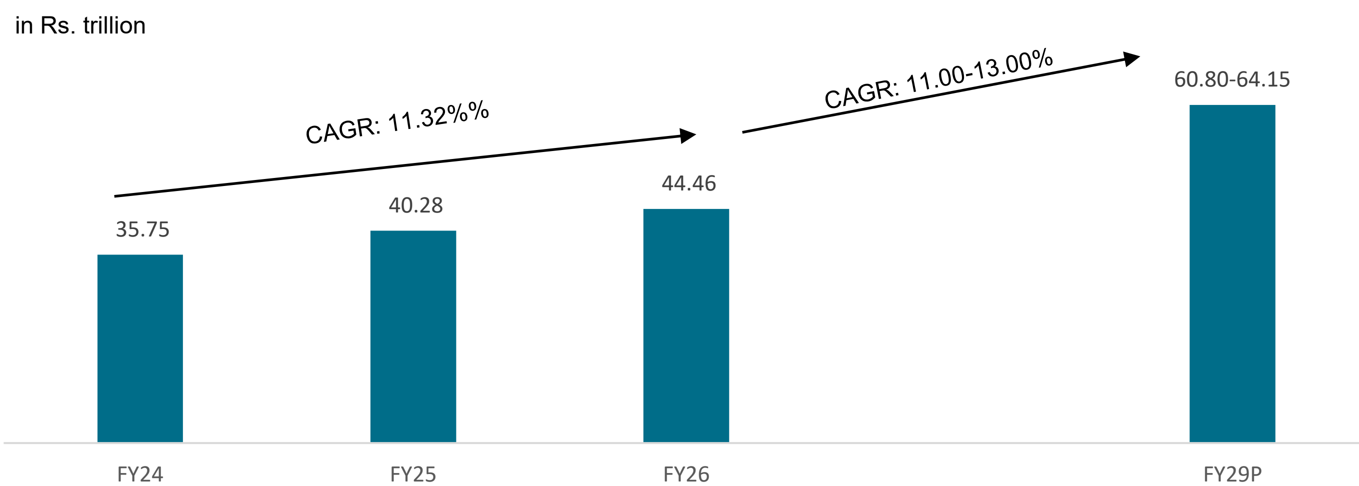
Housing finance loans have steadily compounded at a rate of 11.32% from fiscal 2024 to 2026

Housing finance credit in India has demonstrated sustained structural growth, with housing credit outstanding recording a CAGR of 11.32% between fiscal 2024 and fiscal 2026.

Going forward, Crisil Intelligence projects total housing credit outstanding to grow at a CAGR of 11.00-13.00% through fiscal 2029, supported by increase in ticket size of loans, stable income growth, continued urbanisation, and ongoing government support for affordable housing. Despite already accounting for the largest share within overall retail lending, housing finance is projected to grow faster than the nominal GDP growth, indicating that housing finance penetration relative to the size of the economy is likely to improve gradually, reinforcing its position as a structurally expanding asset class within the Indian financial system.

Policy support remains a key enabler for the sector, with the allocation of Rs. 35.00 billion to the Interest Subsidy Scheme under Pradhan Mantri Awas Yojana (PMAY) in the Union Budget 2025–26, and the launch of the second tranche of the Special Window for Affordable and Mid-Income Housing (SWAMIH) fund amounting to Rs. 150.00 billion, aimed at facilitating the completion of approximately 100,000 housing units. These measures are expected to support housing supply completion and sustain credit demand over the medium term.

Housing loans expected to grow at a steady rate of 11.00-13.00% CAGR till fiscal 2029



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

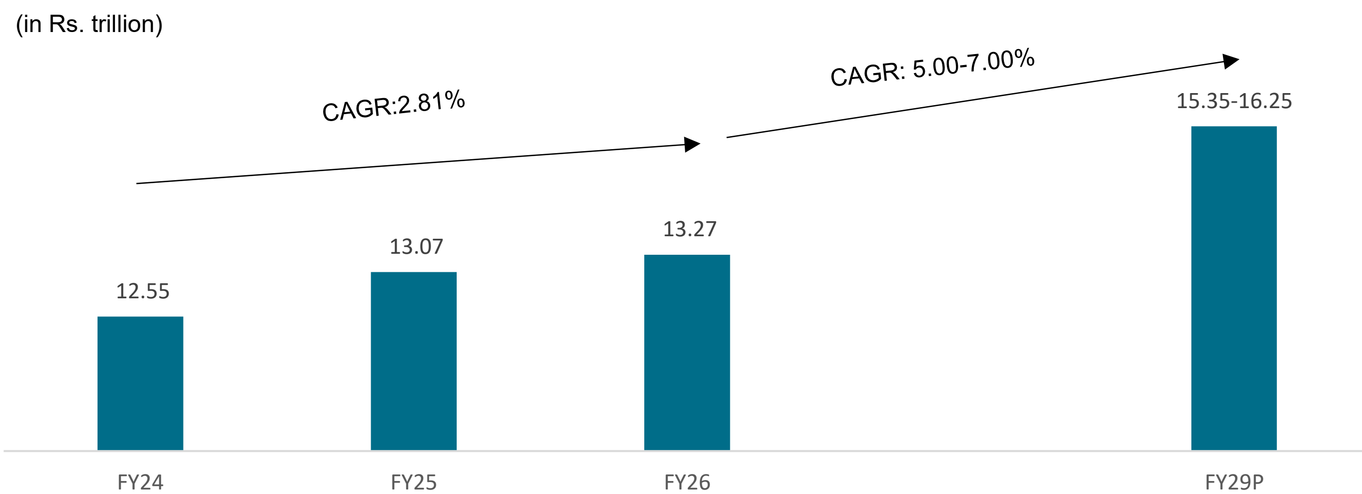
Overview of Affordable Housing Finance in India (Less than Rs 2.5 million ticket size)

India's housing finance market broadly comprises prime housing loans and affordable housing loans, with the affordable housing segment typically catering to borrowers with smaller ticket sizes and relatively limited access to formal credit channels. Affordable housing finance continues to represent a structurally underpenetrated segment within India's mortgage ecosystem and remains a key growth driver for lenders focused on mass-market home financing.

As per Refinance Scheme under Affordable Housing Fund for the Financial Year 2021-22 issued by the National Housing Bank, read with the Master Directions, Reserve Bank of India (Priority Sector Lending–Targets and Classification) Directions, 2020, housing loans with a ticket size of less than Rs. 2.5 million are considered as Affordable Housing Loans

Affordable housing finance continues to account for a meaningful share of India's housing finance market in terms of borrower volumes, reflecting the large underlying demand base.

Affordable-housing finance logged a CAGR of 2.81% between fiscals 2024 and 2026; expected to grow at 5.00-7.00% between fiscal 2026 and fiscal 2029



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

Crisil intelligence projects the affordable housing finance market will expand at a compounded annual growth rate of 5.00-7.00% through fiscal 2029. We expect rationalisation of GST rates on construction materials, and continued government support through schemes such as PMAY are likely to support demand. Further, structural drivers including urbanization, nuclearization of families, rising disposable incomes, and increasing formalization of borrowers, cash flows will remain intact and continue to underpin growth prospects in the segment.

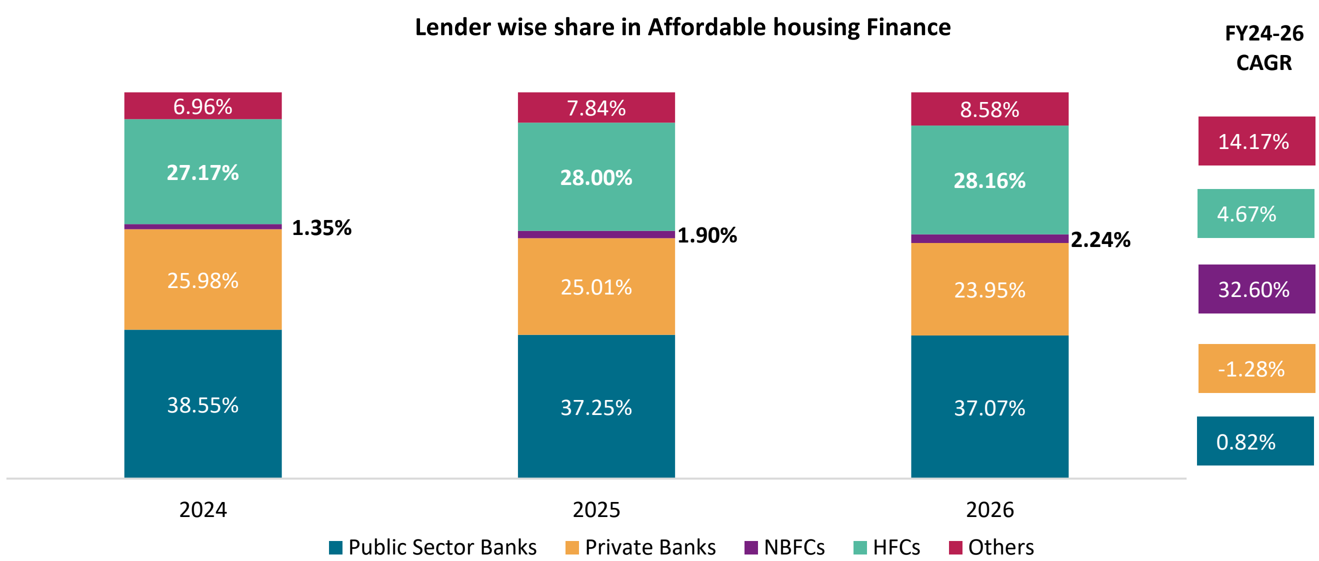
While there was a post-pandemic recalibration in loan sizes in select Metropolitan & Tier I cities owing to increased demand for larger homes to support hybrid working, growth within the broader affordable housing construct (loans up to Rs. 2.50 million) remained structurally supported by first-time homebuyers and households upgrading to formal housing.

Lender-wise analysis on portfolio outstanding for affordable housing segment

The affordable housing finance segment has witnessed increasing participation from NBFCs due to calibrated risk-adjusted returns, granular portfolio structures and significant long-term growth potential. Over the past several years, NBFCs have steadily expanded their market share within affordable housing finance, supported by focused customer acquisition strategies, differentiated distribution models and faster turnaround times. The share of NBFCs in affordable housing loan outstanding has risen to 2.24% as of fiscal 2026, up from 1.35% in fiscal 2024, supported by a robust CAGR of 32.60% between fiscal 2024 and fiscal 2026, outpacing growth of any other lender segment.

NBFC/HFCs have been able to establish a strong presence within Tier II, Tier III and beyond markets through deep distribution reach, local market understanding, flexible underwriting approaches and customised product offerings. Their operating models are typically designed to cater to first-time homebuyers, self-employed borrowers, micro-entrepreneurs and economically weaker sections that may have limited access to formal mortgage financing.

NBFCs continue to remain the fastest growing players



Source: CRIF Highmark, Crisil Intelligence. Others includes SFBs, Foreign Banks, and others

Lender wise asset quality (GNPA) in affordable housing finance segment

Lender segment	FY24	FY25	FY26	Average (FY23-26)
PSU Banks	2.26%	2.22%	2.21%	**2.23%**
Private Banks	1.65%	1.61%	1.65%	**1.64%**
NBFCs	3.29%	3.16%	3.01%	**3.15%**
HFCs	5.69%	3.57%	3.50%	**4.25%**
Others	8.58%	7.50%	6.87%	**7.65%**

Source: CRIF Highmark, Crisil Intelligence

NBFCs reported a gradual improvement in GNPA over the period, with the ratio declining from 3.29% in fiscal 2024 to 3.01% in fiscal 2026, resulting in an average of 3.15% across fiscal 2024-fiscal 2026. The consistent reduction reflects improving asset quality, stronger collection efficiencies, and normalization of provisioning requirements.

While credit costs remain higher than those of PSU and private sector banks, the downward trend highlights NBFCs efforts to strengthen underwriting standards and enhance portfolio quality. The segment's relatively higher credit costs continue to reflect its exposure to riskier borrower profiles and specialized lending categories. The comparatively higher credit costs reflect NBFCs focus on lending segments that typically carry different risk-return dynamics than traditional banking portfolios.

Profitability comparison of Housing and Affordable Housing segments

The Affordable Housing Finance(AHF) Segment exhibits stronger financial performance metrics, with higher Net Interest Margins (NIMs) compared to the Housing Finance (HF) Segment, along with a significantly higher range of Return on Assets (ROA) of 2.80-3.10% versus 1.80-2.30% respectively.

For fiscal 2027, the NIMs for the AHF segment are projected to remain at 5.20-5.30%, significantly higher than the projected NIMs of 3.20-3.30% for the HF segment. The opex and credit costs for both the segments are projected to remain stable at the respective segments fiscal 2026 levels. The RoAs for AHF will remain at 3.00-3.10% as against RoAs of 2.10%-2.20% projected for the HF segment.

Parameter	FY23		FY24		FY25		FY26		FY27P	
	HF	AHF	HF	AHF	HF	AHF	HF	AHF	HF	AHF
Interest on Loans	9.21 %	10.90 %	9.96 %	11.42 %	9.86 %	11.46 %	9.44%	11.22%	9.20-9.30%	11.00-11.10%
Interest Expense	5.82 %	5.59%	6.28 %	6.08%	6.33 %	6.20%	6.06%	6.00%	5.90-6.00%	5.80-5.90%
NIMs	3.39 %	5.31%	3.68 %	5.34%	3.52 %	5.25%	3.38%	5.22%	3.20-3.30%	5.20-5.30%
Other Income	0.73 %	1.68%	0.87 %	1.98%	0.94 %	2.06%	1.05%	2.24%	1.20-1.30%	2.40-2.50%
OPEX	1.20 %	2.78%	1.34 %	3.00%	1.41 %	3.06%	1.33%	2.83%	1.30-1.40%	2.80-2.90%
Credit Cost	0.59 %	0.52%	0.35 %	0.34%	0.14 %	0.53%	0.22%	0.63%	0.20-0.30%	0.60-0.70%
Post Tax RoA	**1.81 %**	**2.84%**	**2.23 %**	**3.08%**	**2.27 %**	**2.89%**	**2.25%**	**3.06%**	**2.10-2.20%**	**3.00-3.10%**

P: Projected; Ratios are calculated on average total assets. Fiscal 2026 numbers are updated basis quarterly financial reporting by the players.
Source: Crisil Intelligence

Key challenges that may affect the affordable housing finance market

While the affordable housing finance market in India continues to benefit from structural demand tailwinds and supportive policy frameworks, the segment is not immune to a range of risks and challenges that could temper its growth trajectory and impact portfolio performance. Some of these key challenges will arise from:

Macroeconomic Sensitivity: Affordable housing borrowers are disproportionately impacted by inflationary pressures and interest rate fluctuations. Rising EMIs during tightening monetary cycles can strain the limited financial buffers of EWS and LIG borrowers, elevating delinquency risks.

Competitive Intensity: Growing participation from banks, large HFCs, and fintech platforms is intensifying pricing competition within the affordable housing segment, particularly in the Rs. 1.00-2.50 mn ticket size category. This heightened competitive pressure can compress NIMs as lenders are compelled to lower yields to retain and attract borrowers, directly impacting profitability. Additionally, aggressive pricing strategies by well-capitalized players may force smaller players to either sacrifice margins or pursue higher-risk borrower segments to maintain growth rates, potentially compromising the quality of customer selection. The pressure to sustain portfolio growth in an increasingly crowded market could lead to dilution of underwriting standards and elevated credit costs over time. Furthermore, competitive intensity may also increase customer acquisition costs as lenders invest more heavily in distribution networks, digital platforms, and incentive structures to maintain market share, further straining operating margins and return profiles.

Rising Construction Costs: Persistent escalation in input costs, particularly steel and cement threaten to push property prices beyond the affordability threshold for target borrowers, potentially shrinking the addressable market and altering the segment's risk profile.

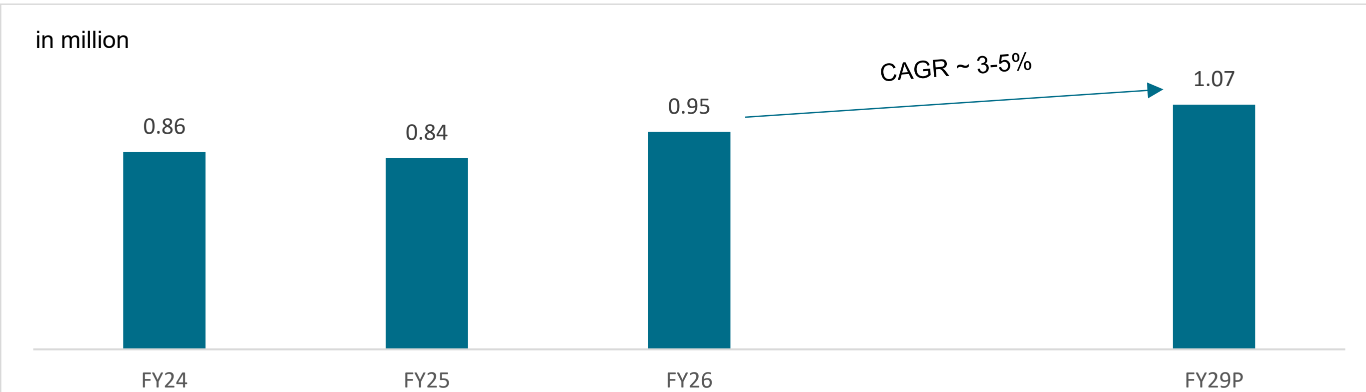
Insufficiency of data for credit appraisal: Credit-score availability in India is still at a nascent stage despite the presence of credit bureaus. In several cases, borrowers lack a formal proof of income documents. This makes it difficult to judge the ability of the borrower to repay.

Liquidity Risk: The apartment culture has still not developed in many of the semi-urban and rural areas, leading to financing of individual properties. This makes it harder to sell a property that is built according to the needs of the borrower. Also, in rural areas, it may become difficult to find a buyer for a repossessed property due to cultural issues. All this leads to liquidity risk.

Notwithstanding these challenges, India's favourable demographics, accelerating urbanization, rising home ownership aspirations among a young workforce, and the continued thrust of government policy toward inclusive housing collectively reinforce the segment's structural resilience. With credit penetration still significantly below global benchmarks and a substantial housing shortage persisting across EWS and LIG categories, the runway for sustained growth remains considerable.

Commercial Vehicle Financing in India

Robust recovery witnessed in commercial vehicle sales driven by healthy economic activity, government spending and sustained-user demand



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

The Indian industry's gross value added (GVA) continued to grow steadily, in line with the GDP, and is estimated to have grown by approximately 7.6% on year in fiscal 2026. Over the next five-year period (fiscal 2026-2031), 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 2026 to fiscal 2031, as the resulting increase in construction and logistics activities boosts demand for heavy and medium commercial vehicles.

Scrappage policy

In August 2018, MoRTH 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 materialization of deferred demand

In fiscal year 2027, transporter profitability is expected to improve to 8.5-9% due to higher freight rates (freight rates grew by 8% on year in 9M FY2026) owing to higher consumption amidst stable fuel prices. However, any changes in retail fuel prices stemming from sustained West Asia crisis may impact the transporter profitability and consequently sales, which will be monitored by Crisil. In fiscal year 2026, 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 have estimated to increase by ~8%, signalling improved transporter profitability amidst heightened demand for freight services with pickup in end user demand following reduction of Goods and Services Tax (GST) to 18% from 28% on commercial vehicles in September 2025, resulting in lowering the purchase cost is likely to foster growth in the medium term, and interest rate reduction.

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. For instance, an organised retail company might have 8-10 distribution centres across the country, and each distribution centre would supply goods to 20-25 stores in and around the hub. Freight is distributed over the last mile via LCVs, such as sub-one-tonne LCVs and pick-ups.

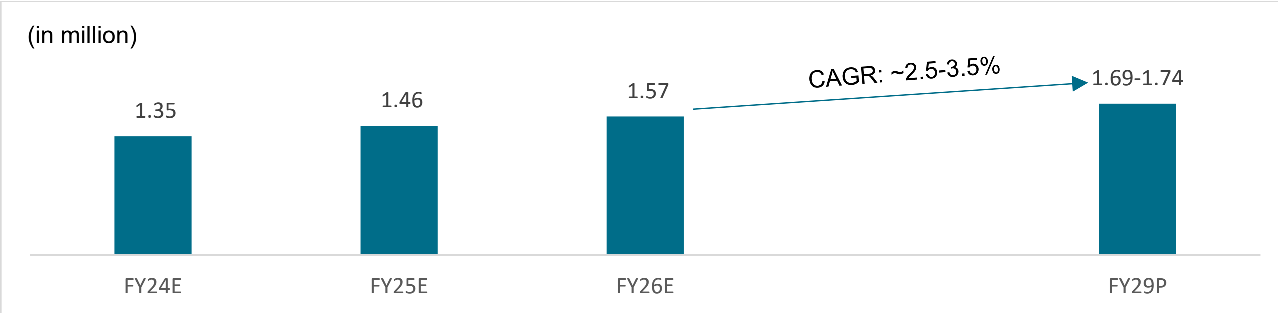
Substitution of three wheelers

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.

Used commercial vehicles on road are estimated at ~1.57 million as of March 31, 2026

As per Crisil Intelligence estimates, there are approximately 1.57 million used commercial vehicles on road currently with the ratio of used to new commercial vehicles at ~1.65 times as of fiscal 2026. Sale of used commercial vehicles has witnessed continuous growth due to the rising prices of new commercial vehicles, making purchasing of used commercial vehicles a viable choice for Small and Medium sized fleet operators due to their lower acquisition costs.

Number of Used Commercial Vehicles



Note: E: Estimated, Source: SIAM, CRISIL Intelligence estimates

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

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

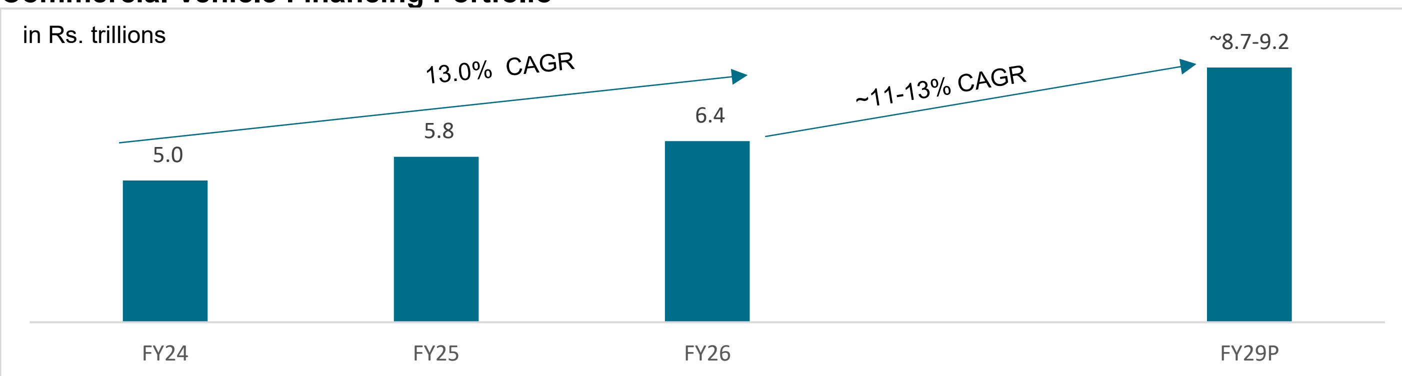
There has been a significant rise in micro, small and medium enterprises in India due to favourable government policies and economic scenario, used commercial vehicles act as a sustainable option to fulfil their logistics and transportation needs due to their lower cost of acquisition.

Commercial Vehicle Financing is expected to witness a CAGR of 11-13% from FY26- FY29

Commercial vehicle financing witnessed a growth of ~13.0% CAGR from FY24 to FY26. The segment witnessed steady growth of ~17% in FY25 and ~10% in FY26. The growth was primarily due to 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 M&HCVs 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. Commercial vehicle financing segment is expected to grow at a CAGR of 11-13% from FY26 to FY29 and to reach approximately Rs. 8.7- 9.2 trillion by FY29.

Commercial Vehicle Financing Portfolio



Source: CRIF Highmark, CRISIL Intelligence

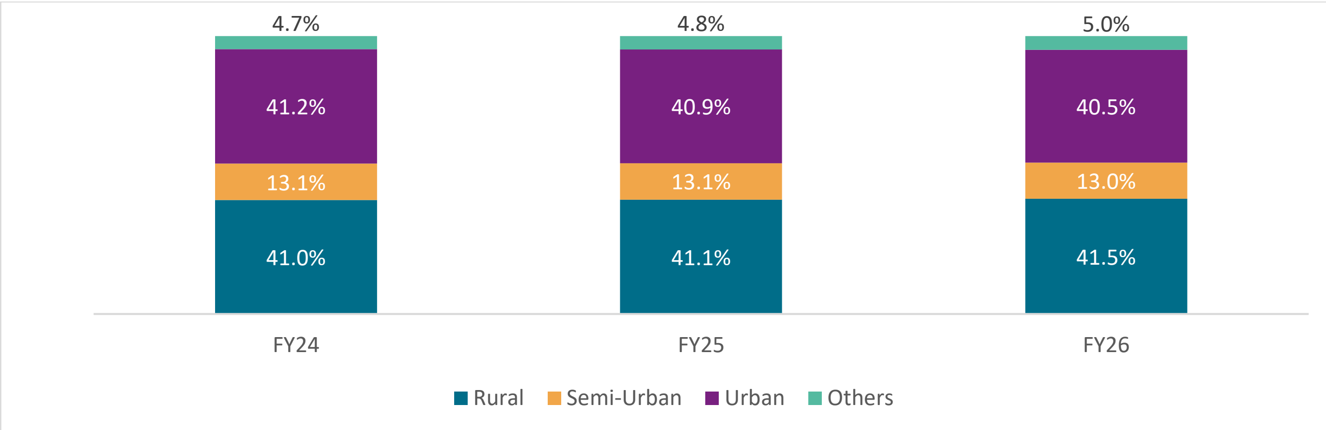
Potential market for used Commercial Vehicles excluding Medium and Heavy Commercial Vehicles ("CVs (excl. M&HCVs)")

As per Crisil Intelligence estimates, potential financing market size for used CVs (excl. M&HCVs) would be in the range of Rs 800 billion to Rs 1,000 billion by FY27. The estimates are based on various assumptions such as lifetime of CVs (excl. M&HCVs) is 15 years and first cycle of financing for used CVs (excl. M&HCVs) would start when the vehicle completes the 5th year. The average price of CVs (excl. M&HCVs) is estimated in the range of Rs 6.5 lakhs to Rs 7.0 lakhs by FY27. It is assumed that vehicle's value depreciates by 50% within first 5 years. Further, it is estimated that there would be around 3.3 to 3.5 million used CVs (excl. M&HCVs) available for financing by FY27 and LTV for these vehicles would vary from 55% to 65%.

Rural and Urban areas account for the highest share among tiers as of March 31, 2026

Rural regions account for the highest share as of March 31, 2026, accounting for ~41.5% share in overall commercial vehicle financing, this was followed by urban regions accounting for ~40.5% share and semi-urban regions accounting for ~13.0% market share. From FY24 to FY26, rural regions witnessed an increase in market share of ~0.5%, witnessing a growth of ~13.7% CAGR from FY24 to FY26, while urban regions grew at 12.2% CAGR from FY24 to FY26, witnessed an ~0.6% fall in market share.

Share of rural areas is increasing in commercial vehicle financing

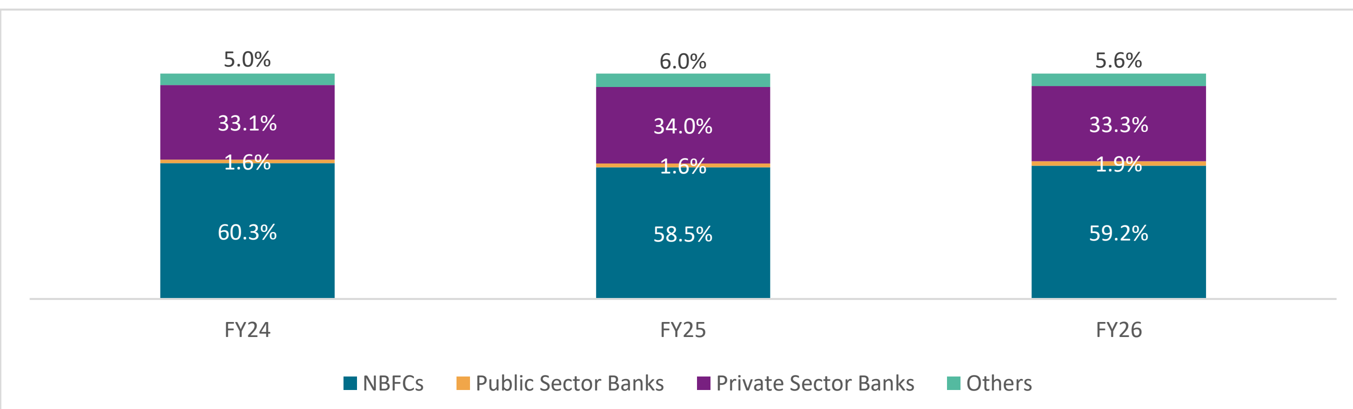


Note: Others include non-classified areas. Source: CRIF Highmark, CRISIL Intelligence

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

Among lenders, NBFCs accounted for the highest share in commercial vehicle finance outstanding (~59.2%) as of March 31, 2026, followed by private sector banks with ~33.3% market share and public sector banks accounting for 1.9% market share.

Share of lenders in commercial vehicle finance



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

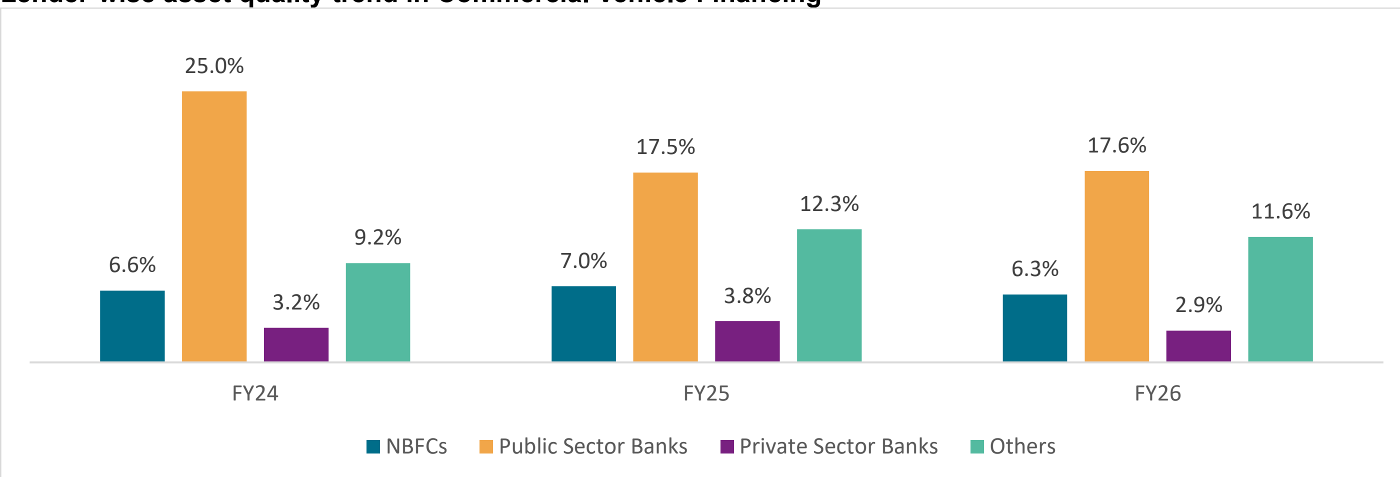
Right to win for NBFCs

NBFCs held 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 have sharper focus on financing 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 past two years, the quality of the portfolio improved in FY2026. However, as banks are more cautious in lending to riskier CV asset classes, NBFCs can maintain their strong hold and build better customer profiles. NBFCs can cater to LFOs that are more volatile and riskier than

SFOs during adversities. As some NBFCs are mainly focused on CV financing, they have built a strong customer base that will support them going forward.

Among lenders, Private sector banks had the lowest GNPAs across years with 90+ DPD for FY26 at 2.9% followed by NBFCs (including HFCs) with 6.3%.

Lender-wise asset quality trend in Commercial Vehicle Financing



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

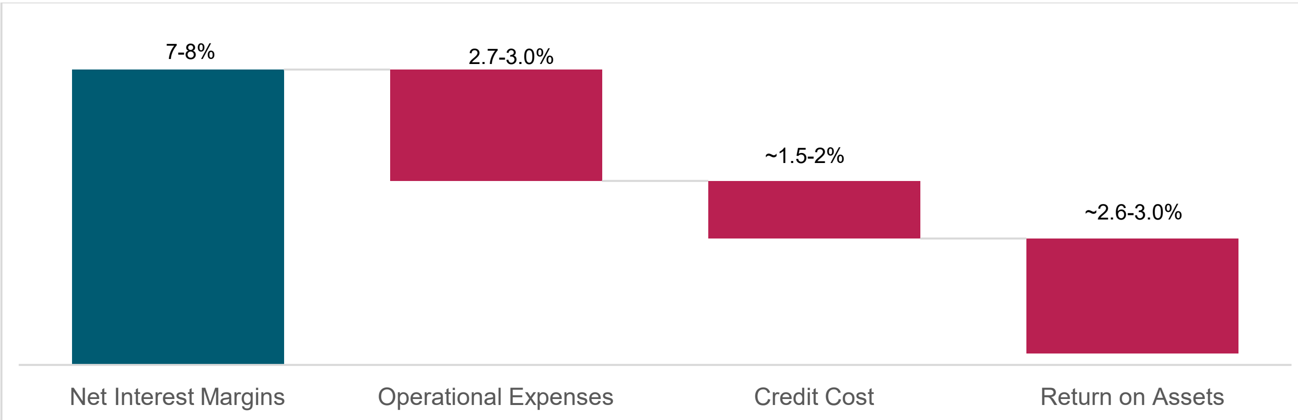
With respect of asset quality, for most NBFCs, it is observed that the used CV segment tends to perform better than the new CV segment over a cycle due to lower purchase cost and consequently lower monthly repayment burden on the borrower. Furthermore, the depreciation rate of a used CV is also lower relative to a new CV, which provides enhanced downside protection to financiers.

NBFCs operating in commercial vehicle financing had return on assets at around 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 (~16%), which in-turn translates to higher net interest margins for the players which usually range between 7-8%. Operational expenses are approximately ~-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 ~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.

RoA tree for NBFCs operating in commercial vehicle loan segment



Source: Company reports, CRISIL Intelligence

Key Risks in the vehicle financing industry:

1. **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.
2. **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.
3. **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.
4. **Asset Quality and Recovery Risk:** The absence of an established and transparent secondary market makes it difficult to recover the value in many cases.

Peer Comparison

Veritas Finance is a provider of retail credit to borrowers lacking access to formal financing channels and formal documentation. In this section, CRISIL Intelligence has benchmarked Veritas Finance with the financial and operating performance of NBFCs operating in MSME and small business financing market, affordable housing finance business, vehicle finance business and diversified segments in India based on the latest available data for FY24, FY25 and FY26.

Within the MSME and small business financing market, competitors include Five-Star Business Finance Limited and SBFC Finance Limited. Affordable home loans and used vehicle finance businesses for Veritas are of a relatively newer vintage, and competitors include established players such as Aavas Financiers Limited and Aptus Value Housing Finance India Limited for affordable home loans and SK Finance Limited and Kogta Financial for used vehicle finance.

For analysis, CRISIL has considered the following peers: Sundaram Finance Limited (Sundaram), Five-Star Business Finance Limited (Five-Star), SBFC Finance Limited (SBFC), Veritas Finance (Veritas), Aavas Financiers Limited (Aavas), Aptus Value Housing Finance (Aptus), SK Finance Limited (SK) and Kogta Financial (Kogta).

Consolidated financials of the companies have been taken into consideration wherever applicable, except Aptus Value Housing Finance for which standalone figures are considered. Players have been arranged in order of decreasing AUM in each category.

Veritas Finance ranks as the third fastest-growing NBFC in terms of AUM growth from Fiscal 2024 to Fiscal 2026, achieving a CAGR of 26%.

Veritas Finance is recognized as the third fastest-growing NBFC in terms of AUM growth. The company's growth rate is measured over the period from Fiscal 2024 to Fiscal 2026, during which it achieved a CAGR of 26%.

Assets under management

Assets under Management (in Rs. million)		FY24	FY25	FY26	CAGR (FY24-FY26)
Diversified NBFCs	Sundaram	577,990	689,040	798,170	18%
MSME focused NBFCs	Five-Star	96,406	118,770	132,246	17%
	SBFC	68,219	87,470	112,700	29%
	Veritas	**57,238**	**73,486**	**91,343**	**26%**
Affordable Housing focused HFCs	Aavas	173,126	204,202	234,517	16%
	Aptus	67,590	79,130	93,060	17%
Used Commercial Vehicle focused NBFCs	SK	104,760	132,611	157,500	23%
	Kogta	47,933	65,080	82,996	32%

Note: SBFC Ltd. Reported numbers on standalone basis for FY2026
Source: Company reports, CRISIL Intelligence

Veritas Finance has the disbursement CAGR of 11% from Fiscal 2024 to Fiscal 2026 which is fourth highest amongst the peer set

Veritas Finance has a disbursement CAGR of 11% from Fiscal 2024 to Fiscal 2026. This growth rate ranks fourth highest amongst its peer set. Kogta Financial (I) Ltd has the highest growth rate at 24% during the same period.

Disbursements

Disbursements (in Rs. million)		FY24	FY25	FY26	CAGR (FY24-FY26)
Diversified NBFCs	Sundaram	311,920	349,220	391,260	12%
MSME focused NBFCs	Five-Star	48,814	49,697	46,757	-2%
	SBFC**	27,930	26,710	31,070	5%
	Veritas	**37,024**	**39,331**	**45,795**	**11%**
Affordable Housing focused HFCs	Aavas	55,822	61,230	67,751	10%
	Aptus	31,270	36,040	40,090	13%
Used Commercial Vehicle focused NBFCs	SK	72,370	83,984	91,620	13%
	Kogta	31,706	40,297	48,437	24%

Note: 1) (**) For secured MSME product
3) For Sundaram Finance consolidated disbursements includes disbursements of Sundaram Finance and Sundaram Home Finance
Source: Company reports, CRISIL Intelligence

Veritas Finance has the most diversified portfolio among MSME focused NBFC

AUM Mix (FY2026)

AUM Mix as of March 31, 2026		Mortgage backed			MSME Unsecured	Vehicle Financing	Others
		Loan against property	Secured MSME	Housing Loan			
Diversified NBFCs	Sundaram*	-	-	14%	-	56%	30% (Construction Equipment, Commercial lending, Non-housing & Others)
MSME focused NBFCs	Five-Star	-	100%	N.p.	N.p.	N.p.	-
	SBFC	-	79%	N.p.	N.p.	N.p.	21% (Gold Loan & Others)
	Veritas	**-**	**65%**	**21%**	**5%**	**9%**	**-**
Affordable Housing focused HFCs	Aavas	35%^^	-	65%	N.p.	N.p.	-
	Aptus	-	N.p	93%	N.p.	N.p.	7% (Insurance Loans & Top up loans)
Used Commercial Vehicle focused NBFCs	SK*	-	23%	N.p.	N.p.	71%	6% (Co-lending, personal loans and purchase pool)
	Kogta*	-	18%	N.p.	N.p.	82%	-

Note: 1) As per individual company disclosures
2) (^^) LAP and other mortgage loan
3) For Sundaram Finance consolidated AUM includes individual AUM of Sundaram Finance and Sundaram Home Finance.
4) N.p. – Not present
*5) * - As per 31st March 2025*
Source: Company reports, CRISIL Intelligence

Cost to Income for players

Players		Cost to Income (%)		
		FY24	FY25	FY26
Diversified NBFCs	Sundaram	21.46%	19.70%	18.42%
MSME focused	Five-Star	25.44%	23.83%	25.56%
	SBFC	30.10%	27.25%	24.72%
	Veritas	**35.18%**	**33.26%**	**33.92%**
Affordable Housing	Aavas	27.15%	25.29%	26.66%
	Aptus	14.50%	13.08%	13.31%
Used Commercial Vehicle focused NBFCs	SK	30.01%	29.28%	28.84%
	Kogta	31.12%	32.95%	31.63%

Note: 1) Cost to Income ratio calculated as operating expenses for the relevant Fiscal year divided by total income. Operating expenses represent the aggregate of Employee benefit expense, Fee and commission expense, Depreciation & amortization, Interest expense on lease liabilities & Other expenses for the relevant Fiscal
2) NA: Not Available
Source: Company reports, CRISIL Intelligence

AUM per branch and AUM per employee

Players		AUM per branch (in Rs. million)				AUM per employee (in Rs. million)			
		FY24	FY25	FY26	CAGR FY24-FY26	FY24	FY25	FY26	CAGR FY24-FY26
Diversified NBFCs	Sundaram	682	785	833	11%	64	75	82	13%
MSME focused NBFCs	Five-Star	185	159	157	-8%	10	10	9	-5%
	SBFC	373	427	449	10%	18	20	22	11%
	Veritas	**150**	**168**	**206**	**17%**	**9**	**9**	**11**	**10%**
Affordable Housing focused HFCs	Aavas	472	514	539	7%	28	28	31	4%
	Aptus	258	264	275	3%	23	24	24	2%
Used Commercial Vehicle focused NBFCs	SK	181	205	223	11%	9	11	NA	NA
	Kogta	222	248	301	16%	10	11	13	12%

Note: 1) AUM per branch calculated as AUM for the relevant Fiscal year divided by numbers of branches for the relevant Fiscal year,
2) AUM per employee calculated as AUM for the relevant Fiscal year divided by numbers of employees for the relevant Fiscal year,
3) For Sundaram Finance consolidated AUM, branches and employees includes those of Sundaram Finance and Sundaram Home Finance.
Source: Company reports, CRISIL Intelligence

Average Ticket Size and State wise share in AUM as of 31st March 2026

Players		Average Ticket Size (in Rs. million)	Top 3 states (AUM)
Diversified NBFCs	Sundaram	NA	South (62.0%), North (22.7%), West (11.7%), East (3.6%)
MSME focused NBFCs	Five-Star	0.42	Andhra Pradesh (36%), Tamil Nadu (28%), Telangana (19%)
	SBFC	0.99*	South (31.1%), East (15.5%), North (30.3%), West (23.1%)

Players		Average Ticket Size (in Rs. million)	Top 3 states (AUM)
	Veritas	**0.47**	**Tamil Nadu (43%), Andhra Pradesh (20%), Telangana (11%)**
Affordable Housing focused HFCs	Aavas	1.02	Rajasthan (33%), Maharashtra (19%), Gujrat (12%)
	Aptus	0.97	Andhra Pradesh (43%), Tamil Nadu (31%), Telangana (17%)
Used Commercial Vehicle focused NBFCs	SK^	0.42^^	Rajasthan (33%), Madhya Pradesh (13%), Gujarat (11%)
	Kogta	NA	Rajasthan (30%), Maharashtra (19%), Gujarat (16%)

Note:1) (*) For Secured MSME Portfolio
2) (^^) Average ticket size for MSME Loans
3) (^) State wise AUM as of March 31, 2025
Source: Company reports, CRISIL Intelligence

Veritas Finance yield on advances was second highest amongst peers, stood at 21.22% as of March 31, 2026

Key Financial Ratios (FY2026)

FY26		Yield on average AUM	Average Cost of Borrowing	Net Interest Margin	Opex % of average AUM	Credit Cost % of average AUM	Return on average AUM	Return on average Equity
Diversified NBFCs	Sundaram	10.50%	NA	4.13%	2.46%	0.74%	2.70%	NA
MSME focused NBFCs	Five-Star	23.91%	NA	18.13%	6.55%	1.71%	8.67%	16.09%
	SBFC	15.39%	8.54%	10.01%	4.17%	1.26%	4.53%	13.09%
	Veritas	**21.22%**	**9.21%**	**14.06%**	**7.78%**	**2.58%**	**4.10%**	**11.25%**
Affordable Housing focused HFCs	Aavas	10.54%	NA	5.48%	3.31%	0.16%	3.03%	13.96%
	Aptus	15.61%	NA	10.27%	2.45%	0.56%	8.16%	17.32%
Used Commercial Vehicle focused NBFCs	SK	NA	NA	NA	NA	NA	NA	NA
	Kogta	NA	9.24%	NA	NA	NA	NA	8.99%

FY25		Yield on average AUM	Average Cost of Borrowing	Net Interest Margin	Opex % of average AUM	Credit Cost % of average AUM	Return on average AUM	Return on average Equity
Diversified NBFCs	Sundaram	10.67%	NA	4.02%	2.60%	0.40%	2.86%	NA
MSME focused NBFCs	Five-Star	24.95%	NA	18.80%	6.33%	0.82%	9.94%	18.69%
	SBFC	15.12%	9.27%	9.70%	4.61%	0.95%	4.47%	11.60%
	Veritas	**22.08%**	**9.94%**	**14.72%**	**7.94%**	**2.63%**	**4.53%**	**11.52%**
Affordable Housing focused HFCs	Aavas	10.82%	NA	4.71%	3.20%	0.15%	3.08%	14.15%
	Aptus	16.87%	NA	11.09%	2.38%	0.19%	7.88%	16.19%
Used Commercial Vehicle	SK	NA	NA	NA	NA	NA	NA	NA
	Kogta	NA	9.24%	NA	NA	NA	NA	8.99%

focused NBFCs								

Note: 1) Average quarterly AUM is calculated based on quarterly average i.e. 5 point average for Fiscal 2026.
2) Average quarterly borrowings is calculated based on quarterly average i.e. 5 point average for Fiscal 2026.
3) Average quarterly equity is calculated based on quarterly average i.e. 5 point average for Fiscal 2026.
4) Yield on average AUM calculated as Interest earned on loans and advances divided by average quarterly AUM [1]
5) Average cost of borrowing calculated as finance costs excluding interest on lease liability divided by average quarterly borrowings [2]. Borrowings include debt securities, borrowings other than debt securities, subordinated liabilities and deposits.
6) Net Interest Margin calculated as net interest income divided by average quarterly AUM [1]. Net Interest Income represents Interest income on loans reduced by Finance cost excluding interest expense on lease liabilities for the relevant year.
7) Opex as % of average AUM calculated as Operating expenses divided by average quarterly AUM [1] Operating Expenses include the aggregate of Employee benefit expense, Fee and commission expense, Depreciation & amortization, Interest expense on lease liabilities & Other expenses for the relevant year.
8) Credit Cost % of average AUM calculated as credit cost for the relevant year divided by average quarterly AUM [1].
9) Return on average AUM calculated as profit after tax divided by average quarterly AUM [1]
10) Return on average Equity calculated as profit after tax divided by average quarterly equity [3].
11) (*) Yield on advances calculated on total interest income
Source: Company reports, CRISIL Intelligence

Return on assets and return on equity

Players		RoA (%)			RoE (%)		
		FY24	FY25	FY26	FY24	FY25	FY26
Diversified NBFCs	Sundaram	2.36%	2.60%	2.49%	11.99%	14.94%	14.28%
MSME focused NBFCs	Five-Star	8.20%	8.22%	7.27%	17.53%	18.65%	16.06%
	SBFC	3.70%	4.41%	4.58%	10.53%	11.57%	13.04%
	Veritas	**4.68%**	**3.94%**	**3.54%**	**12.27%**	**11.52%**	**11.25%**
Affordable Housing focused HFCs	Aavas	3.28%	3.27%	3.29%	13.93%	14.12%	13.92%
	Aptus	6.83%	7.14%	7.60%	14.75%	16.01%	17.20%
Used Commercial Vehicle focused NBFCs	SK	2.92%	2.74%	2.65%	12.62%	11.49%	11.52%
	Kogta	3.09%	2.72%	2.44%	11.67%	9.95%	8.94%

Note: 1) RoA calculated as profit after tax divided average of total assets on book of the company
2) RoE calculated as profit after tax divided average of shareholder equity of the company
Source: Company reports, CRISIL Intelligence

Asset quality

Players		GNPA			NNPA		
		FY24	FY25	FY26	FY24	FY25	FY26
Diversified NBFCs	Sundaram	1.26%	1.44%	1.44%	0.63%	0.75%	0.69%
MSME focused NBFCs	Five-Star	1.38%	1.79%	3.37%	0.63%	0.88%	2.00%
	SBFC	2.43%	2.74%	2.61%	1.36%	1.51%	1.54%
	Veritas	**1.79%**	**2.21%**	**2.48%**	**0.85%**	**1.10%**	**1.38%**
Affordable Housing focused HFCs	Aavas	0.94%	1.08%	1.05%	0.67%	0.73%	0.68%
	Aptus	1.07%	1.20%	1.29%	0.80%	0.90%	0.96%
Used Commercial Vehicle focused NBFCs	SK **	3.50%	4.75%	4.34%	2.47%	3.42%	2.83%
	Kogta	2.63%	3.27%	3.83%	1.30%	1.77%	2.07%

Note: 1) (**) After impact of RBI circular.
Source: Company reports, CRISIL Intelligence

Asset quality

Players		1 DPD Portfolio (%)			30 DPD Portfolio (%)		
		FY24	FY25	FY26	FY24	FY25	FY26
Diversified NBFCs	Sundaram	NA	NA	NA	NA	NA	NA
MSME focused NBFCs	Five-Star	12.61%	15.72%	17.31%	7.89%	9.65%	12.69%
	SBFC	5.59%	7.09%	8.44%	6.80%	5.85%	5.57%
	Veritas	**3.61%**	**4.85%**	**4.74%**	**3.05%**	**3.86%**	**3.97%**
Affordable Housing focused HFCs	Aavas	3.12%	3.39%	3.17%	2.40%	2.55%	1.05%
	Aptus	NA	NA	NA	5.40%	6.05%	NA
Used Commercial Vehicle focused NBFCs	SK	13.77%	16.44%	NA	6.43%	6.15%	NA
	Kogta	NA	NA	NA	6.17%	6.79%	7.52%

Note: 1) Ratios calculated on gross book, 2) (*) Only for secured MSME product. 3) NA: Not Available
Source: Company reports, CRISIL Intelligence

Provisioning Coverage Ratio

Players		Provision Coverage Ratio		
		FY24	FY25	FY26
Diversified NBFCs	Sundaram	50.00%	47.92%	52.08%
MSME focused NBFCs	Five-Star	54.35%	50.84%	40.65%
	SBFC	44.03%	44.89%	41.00%
	Veritas	**53.14%**	**50.52%**	**44.85%**
Affordable Housing focused HFCs	Aavas	43.99%	44.50%	44.56%
	Aptus	25.23%	25.00%	25.58%
Used Commercial Vehicle focused NBFCs	SK	29.43%	28.00%	34.79%
	Kogta	50.57%	45.87%	45.95%

Note: 1) (*) Provisioning Coverage Ratio calculated as GNPA subtracted by NNPA and divided by GNPA for the relevant Fiscal year
Source: Company reports, CRISIL Intelligence

Profit after tax

Profit After Tax (in Rs. million)		FY24	FY25	FY26	CAGR (FY24-FY26)
Diversified NBFCs	Sundaram	14,224	18,128	20,054	19%
MSME focused NBFCs	Five-Star	8,359	10,725	10,987	15%
	SBFC	2,371	3,452	4,508	38%
	Veritas	**2,451**	**2,951**	**3,304**	**16%**
Affordable Housing focused HFCs	Aavas	4,907	5,741	6,549	16%
	Aptus	4,806	5,754	6,929	20%
	SK	3,119	3,797	4,309	18%

Used Commercial Vehicle focused NBFCs	Kogta	1409	1662	1928	17%

Source: Company reports, CRISIL Intelligence

Net worth

Net worth (in Rs. million)		FY24	FY25	FY26
Diversified NBFCs	Sundaram	110,782	131,968	148,937
MSME focused NBFCs	Five-Star	51,962	63,046	73,802
	SBFC	27,781	31,901	37,252
	Veritas	**23,296**	**27,832**	**31,277**
Affordable Housing focused HFCs	Aavas	37,733	43,608	50,508
	Aptus	34,080	37,809	42,741
Used Commercial Vehicle focused NBFCs	SK	31,086	35,018	39,819
	Kogta	12,803	20,588	22,549

Note: 1) Net worth includes capital and reserves and surplus
Source: Company reports, CRISIL Intelligence

Debt to equity and total assets to equity ratio

Players		Debt to Equity (x)			Total Assets to Equity (x)		
		FY24	FY25	FY26	FY24	FY25	FY26
Diversified NBFCs	Sundaram	4.0	4.0	4.1	5.8	5.7	5.8
MSME focused NBFCs	Five-Star	1.2	1.3	1.1	2.2	2.3	2.1
	SBFC	1.4	1.7	1.9	2.5	2.7	3.0
	Veritas	**1.7**	**2.0**	**2.4**	**2.8**	**3.1**	**3.4**
Affordable Housing focused HFCs	Aavas	3.3	3.2	3.1	4.4	4.3	4.2
	Aptus	1.2	1.3	1.2	2.2	2.3	2.2
Used Commercial Vehicle focused NBFCs	SK	2.9	3.3	3.2	4.0	4.4	4.3
	Kogta	3.0	2.3	2.9	4.1	3.4	3.9

Note: 1) Debt to Equity ratio calculated as total borrowings divided by total shareholder equity of the company
2) Total Assets to Equity ratio calculated as total assets divided by total shareholder equity of the company,
Source: Company reports, CRISIL Intelligence

Capital Adequacy ratio and Tier 1 ratio for players

Players		Capital Adequacy Ratio			Tier 1 Ratio		
		FY24	FY25	FY26	FY24	FY25	FY26
Diversified NBFCs	Sundaram	20.42%	20.42%	18.95%	16.80%	17.40%	17.07%
MSME focused NBFCs	Five-Star	50.50%	50.10%	51.89%	50.50%	50.10%	NA
	SBFC	40.50%	36.10%	32.84%	40.50%	36.10%	32.84%
	Veritas	**41.49%**	**37.82%**	**33.19%**	**41.49%**	**37.82%**	**33.19%**
Affordable Housing focused HFCs	Aavas	43.99%	44.50%	44.56%	44.76%	44.38%	NA
	Aptus	73.03%	71.31%	71.00%	72.44%	71.08%	NA
	SK	33.86%	29.51%	25.41%	33.86%	29.51%	NA

Used Commercial Vehicle focused NBFCs	Kogta	27.10%	34.48%	28.56%	26.65%	34.09%	28.30%

Note: NA: Not Available. Source: Company reports, CRISIL Intelligence

Veritas Finance has the highest share of term loans from banks amongst the peers in the borrowing mix

Veritas Finance' borrowing mix constitute of term loans from banks (68%), NCD (13%), securitisation (11%), and term loan from others (8%) as of March 31, 2026.

Borrowing mix for companies (FY2026)

Players		NCD	Term loans from banks	Term Loans from others	Securitisation	Subordinated Liabilities	Short Term Borrowings	ECB	CP	Deposits	Others
Diversified NBFCs	Sundaram	36%	32%	-	14%	-	-	-	7%	12%	-
MSME focused NBFCs	Five-Star	10%	53%	15%	17%	-	-	6%	-	-	-
	SBFC	9%	46%	-	2%	-	-	24%	-	-	19%
	Veritas	**13%**	**68%**	**8%**	**11%**	**-**	**-**	**-**	**-**	**-**	**-**
Affordable Housing focused HFCs	Aavas	9%	52%		27%	-	-	-	-	-	12%
	Aptus	19%	67%		14%	-	-	-	-	-	-
Used Commercial Vehicle focused NBFCs	SK*	18%	53%	4%	19%	-	1%	6%	1%	-	-
	Kogta	12%	65%	11%	4%	-	-	-	-	-	8%

*Note: 1) * - SK is for FY2025*
Not Add up to 100% due to round off
SBFC others include co-origination and FI an DFI borrowings
Source: Company reports, CRISIL Intelligence

Credit rating of companies (Latest Available Ratings)

Players		Long Term Credit Rating
Diversified NBFCs	Sundaram	ICRA AAA, CRISIL AAA
MSME focused NBFCs	Five-Star	ICRA AA-, IND AA-, CARE AA-
	SBFC	ICRA AA-, CARE AA-, IND AA-
	Veritas	**CARE AA-**
Affordable Housing focused HFCs	Aavas	CARE AA, ICRA AA
	Aptus	ICRA AA, CARE AA
Used Commercial Vehicle focused NBFCs	SK	ACUITE AA-, ICRA AA-, CARE AA-, IND AA-
	Kogta	ICRA A+, CARE AA-

Source: Company reports, CRISIL Intelligence

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