

## Non-banking Financial Companies

---

Organised gold loans to reach Rs. 15 trillion by March 2027; banks continue to gain share

SEPTEMBER 2024





[Click to see full report](#)

*Organised GL market to be ~Rs. 15 trillion by March 2027; share of NBFCs to continue declining because of higher growth in agriculture-related GLs by banks*

*NBFCs maintain edge in retail GL segment; growth seen at 17-19% in FY2025 with CAGR of 14-15% during FY2026-FY2027*

*NBFC GL yields stabilise but are lower than the peak; while upside is limited, operating efficiency and low credit costs lend support to profitability*



- ICRA expects the organised<sup>1</sup> gold loan (GL<sup>2</sup>) market to exceed Rs. 10 trillion in the current fiscal and further reach ~Rs. 15 trillion by March 2027. Public sector banks (PSBs) remain a dominant player in the space, driven by agriculture loans that are backed by gold ornaments.



- Non-banking financial companies (NBFCs) have maintained their sizeable market share in retail<sup>3</sup> GLs, notwithstanding the recent sharp scale-up by banks in this space. Competition from banks has increased as more banks are upscaling their branches to offer GLs.



- NBFC GL AUM was Rs. 1.7 trillion in June 2024. The AUM growth continues to be driven by gold prices with ornaments (offered as collateral) tonnage growth remaining muted. Branch additions have also been subdued, though entities are steadily augmenting their online loan models.



- As the headwinds for unsecured loans and microfinance loans have intensified, NBFC GL AUM, supported by gold prices, is projected to expand at 17-19% in the current fiscal, similar to the trend witnessed in FY2024.



- Although new players are venturing into this space, the NBFC GL book remains concentrated among the top 4 players. The segment is operationally intensive, and the key processes are also regulated. The recent directions restricting cash disbursements have not impacted business significantly as the entities have been able to seamlessly adopt the digital mode.



- The average loan-to-value (LTV) has generally remained at 64-65%. While overdues have stayed volatile and are dependent on gold price trends, credit costs have been quite low with entities undertaking timely auctions and achieving good realisations from the same.



- Loan yield pressure has relented somewhat for NBFCs, though it remains 200-300 basis points (bps) below the peak witnessed in FY2021. Competitive pressure shall limit the upside from the current levels. NBFC profitability shall be driven by the improvement in the operating efficiency with loan losses are expected to remain low.

1 – Universal banks + NBFCs; 2 – Loans against gold jewellery; 3 – GL extended for other than agriculture purposes; AUM – Assets under management



ICRA

# Analytical Contact Details

Name	Designation	Email	Contact Number
Karthik Srinivasan	Senior Vice President- Group Head	<a href="mailto:karthiks@icraindia.com">karthiks@icraindia.com</a>	+91-22-61143444
A M Karthik	Senior Vice President- Co Group Head	<a href="mailto:a.karthik@icraindia.com">a.karthik@icraindia.com</a>	+91-44-4596308
R Srinivasan	Vice President- Sector Head	<a href="mailto:r.srinivasan@icraindia.com">r.srinivasan@icraindia.com</a>	+91-44-4596315





ICRA

# Business Development/Media Contact Details

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





***© Copyright, 2024 ICRA Limited. All Rights Reserved.***

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



ICRA

**Thank You!**