

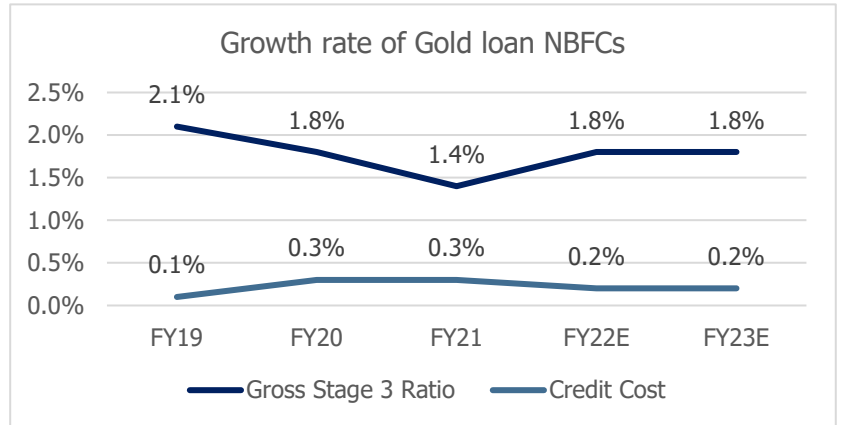
Gold Loan NBFCs – Growth outlook



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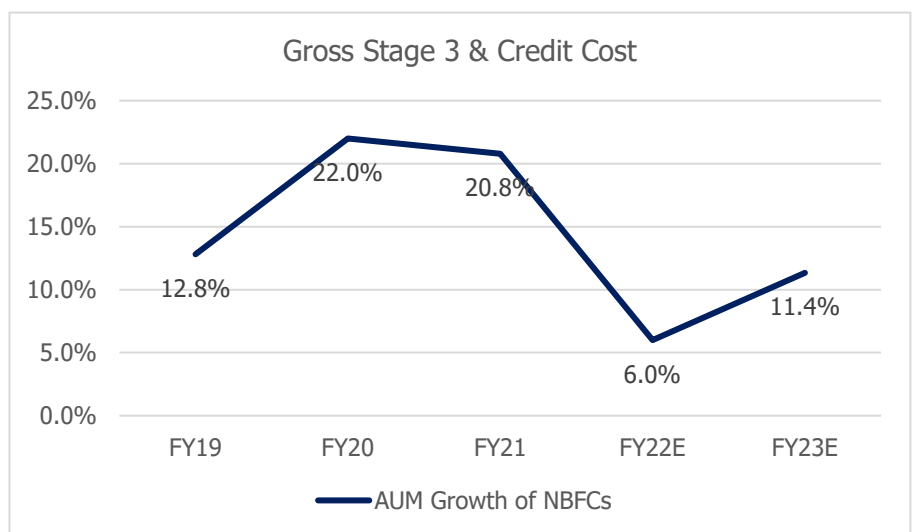
March 2, 2022 | Ratings

- Gold Loan NBFCs reported AUM growth of 20.8% in FY21 as against 82% growth in gold jewellery loans witnessed by banks during the same period; such strong outperformance by banks can be primarily attributed to relaxation in LTV norms for banks till March 2021 and increased focus of banks on this segment.



- Banks continue to report relatively high loan growth of 22% (annualised) in 9mFY22 as compared to 3% growth achieved by gold loan NBFCs due to (1) Stiff competition from banks, especially in higher ticket gold loans and (2) Aggressive recovery (auction) steps taken by some of the large gold loan NBFCs post significant fall in gold prices in Q4FY21. It is to be noted that AGLOC (Association of Gold Loan Companies) reference price of gold ornament has witnessed 10.5% decline from Dec 01, 2020 to March 31, 2021. Going forward, with gold loan NBFCs focussing on growth, CARE estimates AUM of gold loan NBFCs to witness 6% growth during FY22 and 11.4% in FY23. Sustained rally in gold prices pose upward risk to CARE’s growth estimates.

- Asset quality of gold loan NBFCs continues to be better with slight uptick in GS3 levels in 9mFY22. CARE estimates GS3 levels to increase from 1.4% as on March 31, 2021 to 1.8% as on March 31, 2022. However, credit cost is expected to remain intact.



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