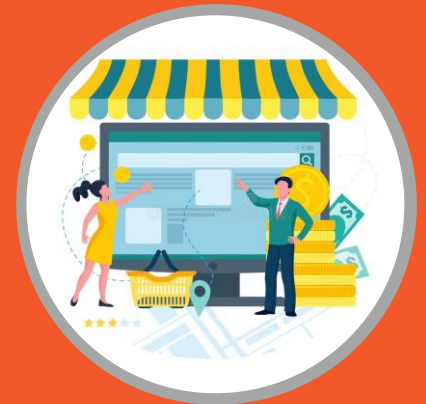




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Key Updates from Regulators

RBI invites applications for NBFC SROs



- **Purpose:** RBI seeks SRO applications for NBFC sector to enhance industry standards through self-regulation among entities like NBFC-ICCs, HFCs, and NBFC-Factors
- **Criteria:** Applicants must achieve a minimum net worth of Rs 2 crore within one year of recognition or before starting operations. SROs must have at least 10% membership from smaller NBFCs
- **Terms:** RBI will recognize up to two SROs, subject to meeting specified criteria in its omnibus framework for regulated entities, ensuring effective self-regulation in the NBFC sector

Revised RBI framework boosts priority sector credit flow



- **Incentive Enhancement:** RBI now assigns a 125% weight to incremental priority sector credit in districts with per capita credit below Rs 9000, effective FY25, aiming to boost lending in underserved areas
- **Dis-incentive Framework:** Districts with per capita priority sector credit exceeding Rs. 42,000 receive a reduced incentive weight of 90%, promoting balanced credit distribution across regions
- **Implementation and Impact:** RBI's district-wise rankings guide banks to focus on improving credit flow where needed, supporting efforts to address regional disparities in priority sector lending

Reduction in denomination of debt securities and non-convertible redeemable preference shares



- **Face Value Reduction:** SEBI has slashed the face value of debt securities and non-convertible redeemable preference shares to Rs. 10,000 from Rs. 1 lakh, aiming to attract more retail investors to the corporate bond market
- **Conditions:** Issuers must appoint a merchant banker and ensure instruments are plain vanilla with credit enhancements allowed
- **Documentation:** Issuers can issue securities with updated documents like tranche placement memoranda or Key Information Documents

SEBI issues new guidelines to streamline operations of Credit rating agencies (CRAs)



- **Timely Procedures:** SEBI mandates CRAs to promptly communicate ratings, process appeals within 3 days, and publish ratings on their website within 7 days
- **Disclosure Requirements:** CRAs are required to maintain records for 10 years, update a daily list of non-cooperative issuers, and disclose ratings not accepted by issuers for 12 months and undergo half-yearly internal audits for compliance
- **Objective:** These measures aim to ensure transparency, investor protection, and consistent practices in the securities market

SEBI standardizes market infrastructure charges



- **Transaction fee disparity:** Transaction fees on stock exchanges vary based on trading volumes, with higher-volume brokerages benefiting from lower rates. However, brokers often charge clients a fixed rate higher than what they pay to exchanges
- **Standardization:** Beginning October 1, exchanges are mandated to apply uniform transaction charges to all brokers, eliminating volume-based variations
- **Impact:** Uniform transaction fees benefit investors by leveling costs but pose challenges for discount brokers reliant solely on brokerage fees, potentially leading to increased charges

Microfinance sector limits borrower indebtedness, focuses on responsible growth



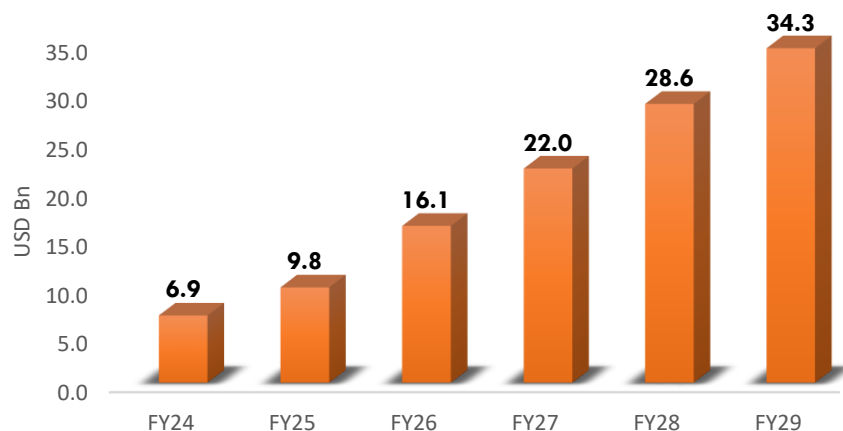
- As of March 2024, India's micro-finance sector comprises 229 institutions lending Rs. 4.33 lakh crore to low-income households, primarily women, for income activities and essentials without collateral
- **Debt Limit and Lenders:** MFIN proposes capping micro-credit at Rs 2 lakh per borrower from a maximum of 4 lenders to reduce repayment burdens
- **Client Protection:** MFIN emphasizes assessing borrowers' income and repayment capacity to ensure responsible lending and timely repayments

Embedded Finance Landscape

Future of Embedded Finance

Embedded finance is the term for integrating banking and other financial services into nonfinancial apps and services. Companies are merging banking, lending, insurance, and investment services with their customer offerings through application programming interfaces (APIs) linked to financial partners.

Growth in Embedded Finance Revenues in India in 5 Years



The significant growth in Embedded finance is backed by a large NTC population (Unbanked), Rapid digitalization, revolution of India's payments landscape (UPI).

B2B Vs B2C vs C2C Lending

B2B model includes Supply chain financing, Trade Finance, Payment Gateway solutions. Ex- CredAble, Stripe, Shop Pay etc.

B2C Model includes E commerce financing, Wallet services, Investment management. Ex- Paytm, Indmoney, Lendflow, Parafin etc

C2C Model includes P2P lending, P2P Payments, Digital wallets etc. Ex- GripInvest, Cashe, etc

Regulatory Timeline

2020: RBI circular on "Loans sourced by Banks and NBFCs over Digital Lending Platforms : Adherence to Fair Practices Code and Outsourcing Guidelines."

2020: The Digital Personal Data Protection Bill comes into effect.

2023: To Contain the high growth seen in consumer credit, RBI increased the risk weights assigned to Consumer Credit exposure across commercial banks, NBFCs, and Credit Card receivables.

Future: Specific legislations addressing the embedded finance space are expected from Regulatory entities such as RBI, SEBI, IRDAI, PFRDA.

Ecommerce and Retail (Ticket Size INR 5K-5 Cr)

- BNPL
- Digital wallets and payment gateways
- Embedded insurance
- Inventory and working capital financing

Education and EdTech (Ticket Size INR 30K-80 Lakhs)

- Student loan and financing
- Scholarship and grant disbursement
- Course subscriptions and microlearning payment

Transport, mobility and Logistics (Ticket Size INR 0.20-10 Cr.)

- Fleet management financing
- Freight factoring and invoice financing

Real estate and property (Ticket Size INR 10L-2 Cr)

- Home loan and mortgage services
- Rental insurance
- Real estate investment

Healthcare and Insurance (Ticket Size INR 10K-15 Lakhs)

- Integrated health insurance
- EMI for medical expenses
- Prescription financing

Agri and Rural Develop (Ticket Size INR 50K-30 Lakhs)

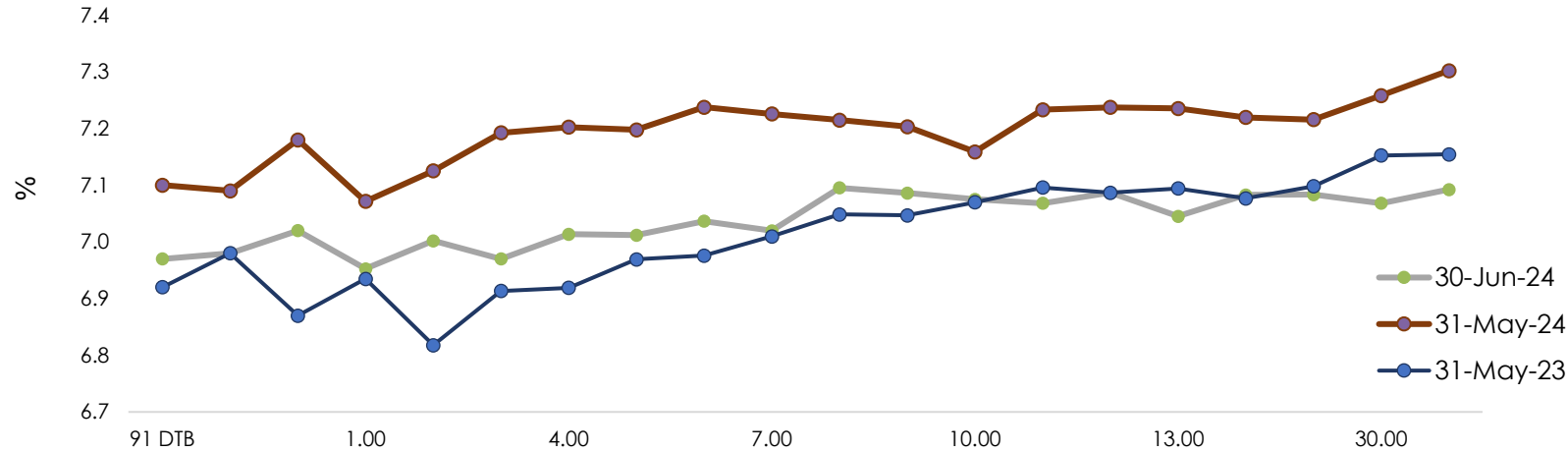
- Credit and crop financing
- Insurance coverage for farmers

Embedded Finance - Outlook

- *Many MSMEs used to struggle with accessing timely credit. Embedded finance has provided solutions such as quick loan approvals based on transaction histories or sales data, allowing MSMEs to meet working capital needs and expand their business operations. This has allowed many Fintech players to penetrate deeply into MSME segments.*
- *Embedded finance has also facilitated supply chain financing solutions, where MSMEs can receive early payments against invoices or use dynamic discounting mechanisms. This has helped MSMEs in maintaining cash flow and strengthens relationships with suppliers.*
- *E-commerce has been the sector to receive prominent benefits from embedded finance, by offering services such as Digital Wallets, UPI (United Payments Interface), and buy-now-pay-later. This integration has significantly improved the user experience, reduced payment friction, and boosted transaction volumes. Fintech, FMCG and Logistics follow closely behind E-commerce in terms of Embedded Finance integration.*
- *With the rise of embedded finance, concerns around data privacy and security have become paramount. The RBI has issued guidelines on data protection and cybersecurity measures that entities engaged in embedded finance must adhere to. The regulatory oversight is continued to widen, with more scrutiny on the players and services offered under Embedded finance.*

Market and Investment Updates

Yield Curve



NBFC Bond spread over G-sec Benchmark indices

Tenor	3 Year Spread	5 Year Spread	10 Year Spread
AAA	89	69	49
AA	163	144	120
A	370	350	330
A-	395	375	355
BBB+	420	400	380
BBB	445	425	405
BBB-	470	450	430

Key market rates

Repo Rate
6.50%

Reverse Repo Rate
3.35%

MSFR
6.75%

EURIBOR-6M
3.678%

SOFR-6M
5.38854%

Sector-	Market Capitalization #	% Change*
Finance		
• Housing	177,218	▲ 6.2%
• NBFC's	1,171,264	▼ 1.1%
• Lending^	382,307	▲ 14.7%
Agriculture	311,945	▲ 5.1%
Climate		
• Power	1,766,047	▲ 2.2%
• Oil and Gas	3,223,356	▲ 7.9%
• Plastics	222,644	▼ 0.2%

#Market capitalization based on top 5 companies listed in BSE within the sector

*% Change from 18/06/2024-15/07/2024

^Does not include private banks

Company	Funding raised/ Stage
Kogta Financial India	\$148.0 Mn: Series E
Omega Hospitals	\$59.9 Mn: PE
Ummeed Housing Finance	\$36.0 Mn: Series F
Matter	\$35.0 Mn: Series B
Arya	\$29.0 Mn: Series C
EKA	\$23.9 Mn: Seed
Rupeek	\$15.0 Mn: Series F
Immuneel	\$12.0 Mn: Series A
Cloudphysician	\$10.5 Mn: Series A

Select fundraises from Mid May 2024 to Mid June 2024

UC Deal Alert

Debt Deal Alert

Unitus Capital advises Aye Finance in its debt raise of INR 25 Cr from Jiraaf

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 **JIRAAF**

Debt Deal Alert

Unitus Capital advises Bizongo in its debt raise of INR 60 Cr from Federal Bank

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UC Research: Lending IPO Report

Lending Institutions IPO Report

In our Report, we present insights into the lending sector IPOs. Of the 341 IPOs over the past decade, of which there were 59 Financial Services IPOs, we focused on 25 lending IPOs across sectors such as HFCs, NBFCs, MFIs, SFBs, and Banks for our study

Our report highlights the median AUM and Net Worth at listing for these institutions and provides key insights into the stage and scale at which they enter the public market as well as performance post-IPO

Click on the link below to check out the full report and share your thoughts!

[Lending Institutions IPO Report](#)

Thank You
