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*A tech-focused impact-first  
investment bank*



# Key Updates from Regulators

## RBI Revises Prudential Norms for NBFCs

### Regulation



**Stricter NPA Recognition:** NBFCs to align with the **90-day** NPA classification norm by **March 31, 2026**, with interim milestones of **>150 days** by **March 31, 2024**, and **>120 days** by **March 31, 2025**. It also specifies that the glide path does not apply to NBFCs already following the 90-day norm..



**Capital Adequacy Requirements:** A minimum CRAR of **15%** ensures that NBFCs maintain stronger capital buffers to absorb potential losses and improve overall financial stability.



**Revised Asset Classification:** Asset classification norms now emphasize risk-weighted assets and credit quality, prioritizing loans secured by collateral. This ensures stricter monitoring and better risk management practices.

### Implications

#### Impact Areas

- **Improved Transparency:** Enhanced loan portfolio monitoring.
- **Investor Confidence:** Strengthened trust in NBFCs with better regulatory practices.
- **Global Alignment:** Closer compliance with international standards.

#### Sector Insights

- NBFCs contribute **25% to India's total credit** (as of December 2024) playing a crucial role in meeting financing needs across various sectors.
- Sector projected to grow at **12% in FY25**, driven by tighter regulations that ensure stability and encourage responsible expansion.

## Regulation

### ➤ **RBI Annual Report State Finances:**

On December 19, 2024, the Reserve Bank of India (RBI) released its annual report, "**State Finances: A Study of Budgets of 2024-25**", which evaluates the fiscal health of state governments with a focus on "Fiscal Reforms by States."

### ➤ **Implications:**

- **Gross Fiscal Deficit (GFD):** State governments have kept GFD within 3% of GDP in 2022-23 and 2023-24, with a budgeted slight increase to 3.2% for 2024-25.
- **Capital Expenditure:** Increased from 2.4% of GDP in 2021-22 to 2.8% in 2023-24, with a forecasted rise to 3.1% in 2024-25, highlighting a strong emphasis on infrastructure.
- **Outstanding Liabilities:** Reduced from 31% of GDP in March 2021 to 28.5% in March 2024, but still above pre-pandemic levels.
- **Subsidy Expenditure:** A sharp rise in subsidies, such as farm loan waivers, may crowd out productive spending, posing risks to fiscal sustainability.
- **Centrally Sponsored Schemes:** The proliferation of such schemes reduces state spending flexibility and could undermine cooperative fiscal federalism.

### ➤ **Significance:**

- Adopt counter-cyclical fiscal policies
- Establish a transparent, time-bound debt consolidation path
- Improve communication on outstanding liabilities and off-budget borrowings

Shri. Sanjay Malhotra Appointed as the 26th Governor of RBI

## Regulation

### ➤ **Key Update:**

Shri Sanjay Malhotra, an IAS officer (1990 batch, Rajasthan cadre), assumed office as RBI Governor on December 11, 2024, for a three-year term. With expertise spanning finance, taxation, power, and technology, he brings rich administrative experience, including stints as Secretary in the Department of Revenue and Financial Services.

### ➤ **Implications:**

- **Finance & Banking:** Strengthens fiscal reforms and policy direction.
- **Energy Sector:** Leverages expertise to align financial policies with energy sustainability.
- **Innovation:** Drives tech-enabled banking transformations.

### ➤ **Significance:**

Shri Malhotra's leadership, backed by IIT Kanpur and Princeton credentials, aims to bolster India's financial stability and growth trajectory.

SEBI introduced an updated Investor Charter to empower investors

## Regulation



**Comprehensive Guidelines:** The charter outlines the rights, responsibilities, and services offered to investors, covering various market intermediaries.



**Transparency Focus:** Simplifies processes and improves disclosure standards, promoting fair practices in the securities market.



**Investor Protection Measures:** Strengthens grievance redressal mechanisms and safeguards investor interests effectively.

## Implications

### Investor Awareness

- Educates investors on their **rights** and **responsibilities**.
- Facilitates informed **decision-making**.

### Market Confidence

- Promotes **fair practices** and ensures accountability across market intermediaries.

# Unified Lending Interface



The ULI was developed by RBI Innovation Hub and co-conceptualized with the Reserve Bank of India (RBI) and is presently in the Pilot stage. ULI is a technology platform built to facilitate easy access to authenticated data from various sources, through standardized APIs to which all lenders can connect seamlessly through a 'plug and play' model.

ULI uses APIs to access a **borrower's financial data** from various sources, including government databases, credit bureaus, and financial institutions. This data can include credit scores, bank information, land records, and digital identities.

### Data Sources

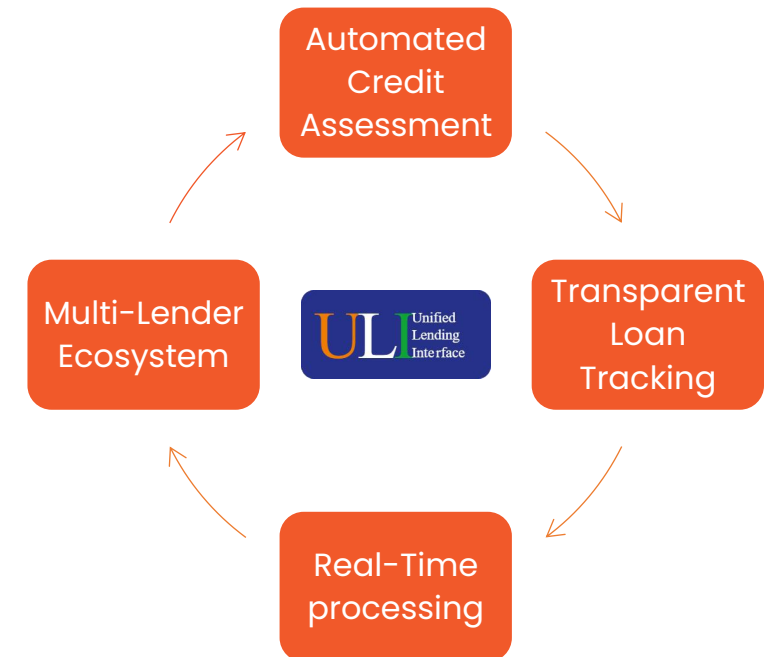
- Digital land record systems of state governments
- GSTN Data
- Cash flow and milk pouring data from State Dairy Federations

### Benefits

- Provides Satellite imagery and analytics data
- Enables Aadhaar e-KYC, e-Sign, PAN validation, Bank account verification, e-Stamping
- Transliterating documents to various languages
- Consolidates digital financial information from customers' accounts in real-time
- Provides secure access to verified documents of customers through Digi locker
- Consolidates property data & analytics from various sources (real estate authorities, legal authorities, etc) for underwriting housing loans
- Facilitates government-backed credit guarantee scheme for MSMEs

### Way Forward

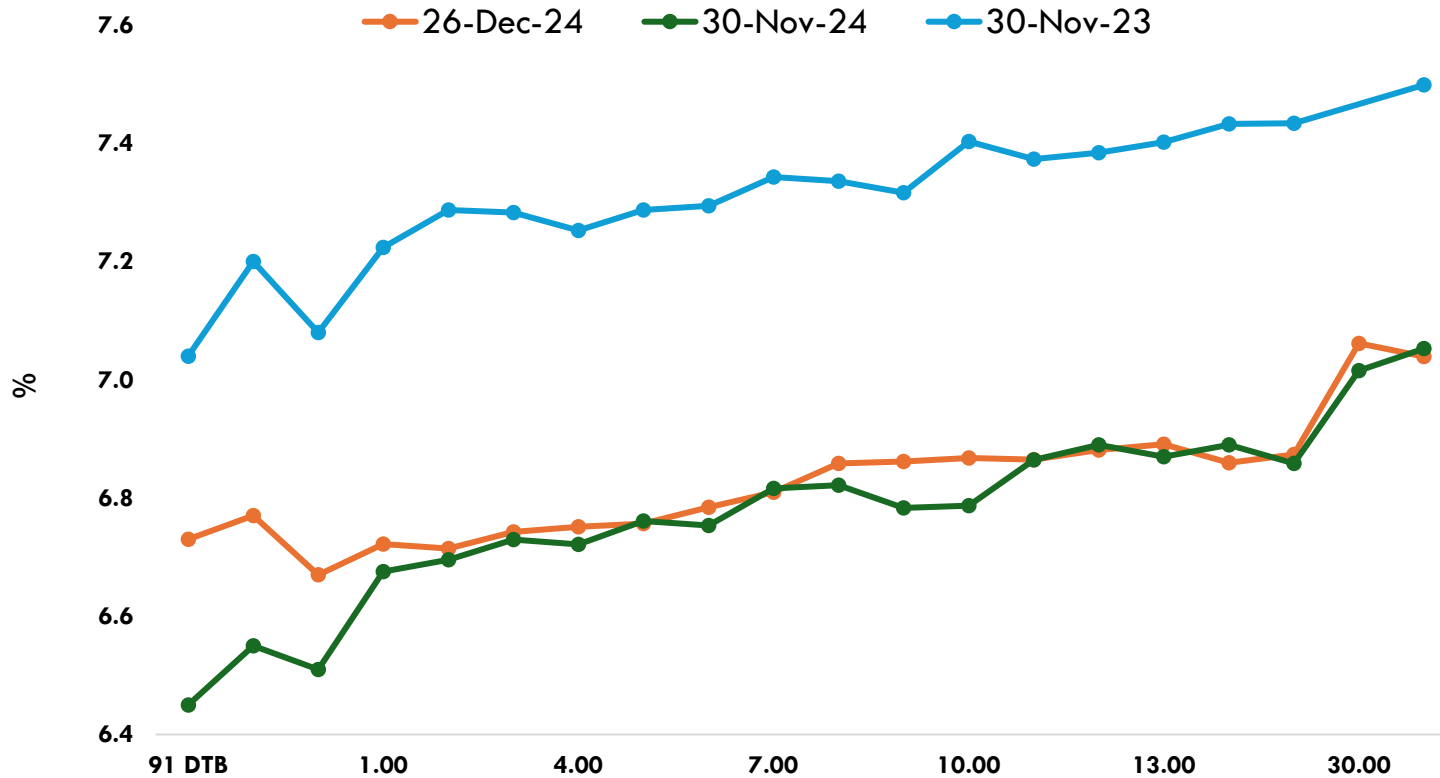
- While ULI carries significant potential, it also presents certain risks.
- The success of ULI depends on the active participation of banks and financial institutions, whose lending decisions are influenced by profitability and regulatory constraints.
- Additionally, concerns regarding data privacy and security must be addressed to ensure the protection of sensitive borrower information.





# Market and Investment Updates

## Yield Curve



## Key market rates\*

Repo Rate  
**6.50%**

Reverse  
Repo Rate  
**3.35%**

MSFR  
**6.75%**

EURIBOR-6M  
**2.612%**

SOFR-6M  
**5.06385%**

Sector-	Market Capitalization #	% Change*
<b>Finance</b>		
• Housing	297,539	▼ 5.1%
• NBFC's	1,423,534	▼ 1.5%
• Lending <sup>^</sup>	374,581	▲ 1.4%
<b>Agriculture</b>	318,958	▲ 3.2%
<b>Climate</b>		
• Power	1,740,691	▼ 1.0%
• Oil and Gas	2,507,360	▲ 5.1%
• Plastics	225,050	▼ 3.9%

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

\*% Change from 21/11/2024-21/12/2024

<sup>^</sup>Does not include private banks

Company	Funding raised/ Stage
Zepto	\$350.0 Mn: Series G
Vastu Housing Finance	\$100.0 Mn: Series C
Zetwork	\$70.0 Mn: Series F
Woodenstreet	\$43 Mn: Series C
Solar Square	\$40 Mn: Series B
Zopper	\$25.0 Mn: Series D
Avanti	\$14.2 Mn: Series B
Orange Health	\$12.0 Mn: Series B
Bizom	\$12.0 Mn: Series B

Select fundraises from Mid-November 2024 to Mid-December 2024

# UC Deal Alert

# Equity Deal Alert

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**Unitus Capital** advises **Infinity Fincorp** on its equity raise of **INR 290 Cr** from **Jungle Ventures** and **Archerman Capital**

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 **INFINITY**  
FINCORP SOLUTIONS  
SANKALP AAPKA, SAATH HUMARA

**.JUNGLE**  
  
**ARCHERMAN**

# Equity Deal Alert

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**Unitus Capital** advises **Finnable** on its equity raise for a **minority stake**

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**finnable**

# Debt Deal Alert

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**Unitus Capital** advises **DCDC Kidney Care** on its debt raise of **INR 82 Cr** from **British International Investment**

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DCDC KIDNEY CARE

 British  
International  
Investment

**Thank You**

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