

July 21, 2025^(Revised)

Techfino Capital Private Limited: [ICRA]BBB- (Stable) assigned

Summary of rating action

Instrument*	Current rated amount (Rs. Crore)	Rating action
Long-term term loan fund based	40.00	[ICRA]BBB- (Stable); assigned
Total	40.00	

*Instrument details are provided in Annexure I

Rationale

The assigned rating takes into consideration Techfino Capital Private Limited's (TCPL) adequate capitalisation profile, supported by the recent Series A equity raise of Rs. 42.8 crore during March-May 2025. As of May 2025, the company's net worth increased to ~Rs. 78 crore from Rs. 16.5 crore as of March 2024 {Rs. 32.6 crore including compulsorily convertible debentures (CCD) which were converted into compulsorily convertible preference shares (CCPS) as of May 2025}. The capital adequacy ratio (CRAR) was healthy at 42.4%, as of March 2025, with the Tier I capital at 35.7%. TCPL has a modest scale of operations at present with assets under management (AUM) of Rs. 189.3 crore as of March 2025. Over the medium term, the company envisages to expand its AUM at a compound annual growth rate (CAGR) of 40-50%. As such, ICRA expects the capital buffers to be adequate in the near term. However, regular equity infusions would be required subsequently, given the steep growth plans and the modest internal generation. Additionally, TCPL would need to strengthen its currently moderate funding profile, in line with its growth plans.

TCPL has a presence in the education loans (EL; 56.6% of AUM) and micro, small and medium enterprise loan against property (MSME LAP; 43.4%) segments. The EL segment is based on a digital partnership-based model and the MSME LAP segment operates on a branch-based lending model. While the EL segment is unsecured in nature, its asset quality performance has been supported by prudent underwriting and the safeguards available from the originating partners. TCPL's gross non-performing assets (GNPAs) remained under control at 0.3-0.6% over the past five years. As the company looks to increase its focus on the MSME LAP segment, ICRA expects the secured nature of lending in this segment to support the asset quality. However, given its limited track record and steep growth expectation, TCPL's ability to maintain prudent underwriting would be monitorable.

The assigned rating factors in TCPL's modest profitability over the last two years {profit after tax (PAT) of Rs. 0.7 crore in FY2025 (provisional) and Rs. 0.3 crore in FY2024}, which is expected to stabilise over the next 12-18 months as operating efficiency is achieved. Nevertheless, keeping the credit costs under control shall remain a key monitorable.

The Stable outlook factors in ICRA's expectation that TCPL's risk profile will be supported by the adequate capital buffers and a steady increase in the share of the secured loan book.

Key rating drivers and their description

Credit strengths

Adequate capitalisation profile; further capital raise required for envisaged growth – Over the years, the company has successfully raised about Rs. 70 crore of primary capital from the promoters, high-net-worth individuals and private equity investors. The recently concluded Series A equity raise witnessed participation from two funds – Stellaris Venture Partners India Trust II and Saison Capital Pte. Ltd., which together infused about Rs. 65 crore through a mix of primary and secondary

share transactions. As of May 2025, the net worth was Rs. 78 crore (provisional; Rs. 60.7 crore¹ as of March 2025). The CRAR was healthy at 42.4% as of March 2025, with the Tier I capital at 35.7%. The company is looking to increase the AUM at a CAGR of 40-50% over the medium term. ICRA expects the capital buffers to be adequate for the next two years, though regular equity infusions would be required subsequently due to their steep growth plans.

EL quality supported by partnership arrangements; expected increase in share of secured loans – TCPL’s EL portfolio, which formed 56.6% of its AUM as of March 2025, is structured around a digital partnership-based business-to-business-to-consumer (B2B2C) model. This model incorporates a few safeguard mechanisms (including first loss absorption, tranche-wise disbursements, loan cancellations, etc.), which support the asset quality and mitigate the credit risk. TCPL collaborates with over 200 educational institutions/digital educational platforms, with active engagement from 65-70 institutions currently. These institutions/platforms refer their students² to the company for obtaining loans to cover the course fees. TCPL maintains prudent underwriting criteria for sanctioning these loans based on income assessment, bureau/banking data and other alternate data sources.

Supported by this partnership-based loan model, TCPL’s asset quality had remained under control over the years with GNPA’s in the range of 0.3-0.6% during FY2021-FY2025. Net NPAs (NNPAs) remained nil since inception, supported by the 100% provision coverage ratio (PCR).

As TCPL looks to increase its focus on the MSME LAP segment, ICRA expects the secured nature of lending in this segment to provide protection from asset quality risks. However, given the limited track record and portfolio seasoning in this segment along with the steep growth expectations, the company’s ability to maintain prudent underwriting would be monitorable.

Credit challenges

Modest scale of operations – TCPL started its operations in 2019 with ELs sourced through partners via the digital route. In 2023, it started providing MSME LAP loans through its branch-based model and expanded into four states with 29 branches as of March 2025. The AUM stood at Rs. 189.3 crore as of March 2025, expanding at a CAGR of 57% during FY2022-FY2025, given the low base. The share of the MSME LAP segment in the AUM increased to 43.4% as of March 2025 and is expected to increase further, going forward. However, given the limited portfolio seasoning and track record in this segment, the company’s performance shall remain monitorable as the AUM scales up.

Profitability metrics yet to stabilise – TCPL is in the scale-up phase, with its profitability metrics witnessing volatility in the recent past. Over the past five years, the company reported profits in the range of Rs. 0.3-2.4 crore with the profitability supported by adequate interest margins, notwithstanding the high operating expenses. TCPL has steadily improved its operating cost in the EL segment in recent years, in line with the scale-up of its AUM. Further, credit costs have remained under control over the years, though there was some uptick in FY2023 and FY2024 on account of the weak performance of certain partners. Notwithstanding the same, segmental profitability has remained at healthy levels in recent years. However, with the company diversifying into the MSME LAP segment in the last two years, the branches and employee base have been expanded significantly. As such, the operating metrics in this segment are at modest levels at present, impacting the overall profitability. TCPL’s ability to scale up its profitability will depend on improving the operating efficiency in the MSME LAP segment and keeping its overall credit costs at a manageable level.

Moderate funding profile – TCPL currently has funding relationships with 3 banks and 10 non-banking financial companies (NBFCs). As of March 2025, the company’s borrowings were predominantly sourced from NBFCs (66.6%), followed by banks (15.5%), compulsorily convertible debentures³ (9.1%), non-convertible debentures (4.5%) and the assigned portfolio (4.3%). TCPL recently concluded (February 2025) a direct assignment transaction with an NBFC for Rs. 5.0 crore in the MSME LAP

¹ Rs. 71.2 crore including CCDs

² An earning parent serves as borrower when the student has no income.

³ Converted into equity in May 2025

segment. Currently, the borrowings are predominantly with a loan tenor of 24-36 months. However, as the company plans its expansion in the long-tenor MSME LAP segment, it would be key to secure borrowings with longer tenors. Further, TCPL's ability to diversify its funding sources and obtain commensurate borrowings as it scales up would be monitorable.

Liquidity position: Adequate

TCPL had free cash and liquid investments of Rs. 8.1 crore as on June 30, 2025, along with Rs. 7.0 crore of sanctioned but unutilised credit lines against debt repayment obligations of Rs. 30.3 crore in Q2 FY2026. As of March 2025, TCPL had positive asset-liability maturity (ALM) mismatches in all buckets. Its ALM position, especially in the near-term buckets, benefits from the short average tenor of 11-12 months in the EL segment, which supports its inflows.

Rating sensitivities

Positive factors – The rating could be positively impacted if TCPL scales up its operations while keeping the asset quality under control and generating a healthy return on managed assets (RoMA) on a sustained basis.

Negative factors – The rating could be negatively impacted if the managed gearing crosses 5 times or the profitability declines significantly on a sustained basis. Weakening in the asset quality would also have a negative impact.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Non-banking Finance Companies (NBFCs)
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the standalone financial statements of the company

About the company

Techfino Capital Private Limited (TCPL), a Bengaluru-based, tech-driven non-banking financial company (NBFC), was founded in 2018 by seasoned banking professionals – Mr. Jayaprakash Patra, Mr. Rajesh Kumar Panda, and Mr. Ratikanta Satapathy, each with over 25 years of experience in the banking sector. The company commenced lending operations in 2019. TCPL currently operates in two segments: unsecured education loans and micro, small and medium enterprise loan against property (MSME LAP). It started operations with the education loans segment under a partnership model with a pan-India presence. It launched its secured LAP business in August 2023, targeting suburban and rural borrowers with loans ranging from Rs. 3-25 lakh for tenures of 3-10 years.

As of March 2025, TCPL had an AUM of Rs. 189.3 crore, with 56.6% in the education loan segment and 43.4% in the MSME LAP segment, sourced through its own channels, co-lending, and business correspondent (BC) partnerships. A large portion of the MSME LAP loan book qualifies under the Reserve Bank of India's (RBI) priority sector lending (PSL) norms, with sourcing across Gujarat, Karnataka, Andhra Pradesh, and Madhya Pradesh. The company is backed by several investors including DCB Bank, Stellaris Venture Partners and Saison Capital.

Key financial indicators

TCPL	FY2024	FY2025 (P)
Total income	20.3	33.9
PAT	0.3	0.7
Total managed assets	125.3	217.8
Return on managed assets	0.2%	0.4%
Managed gearing (times)	5.6	2.4
GNPA	0.3%	0.4%
CRAR	33.3%	42.4%

Source: Company, ICRA Research; All ratios are as per ICRA's calculations; Amount in Rs. Crore

Note: NPAs recognition was based on a criterion of 150 days past due (dpd) delinquencies during FY2024 and 120 dpd during FY2025

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2026)						Chronology of rating history for the past 3 years					
FY2026						FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Jul-21-2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long-term term loan – Fund based	Long term	40.00	[ICRA]BBB- (Stable)	-	-	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term term loan – Fund based	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance/Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	Long-term term loan – Fund based*	--	NA	NA	40.00	[ICRA]BBB- (Stable)

Source: Company; *Proposed

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Not applicable

Corrigendum

Document dated July 21, 2025, has been corrected with revision as detailed below:

- Return on Managed Assets (RoMA) for FY2025 updated from 0.6% to 0.4% in Key Financial Indicators table, Page [4].

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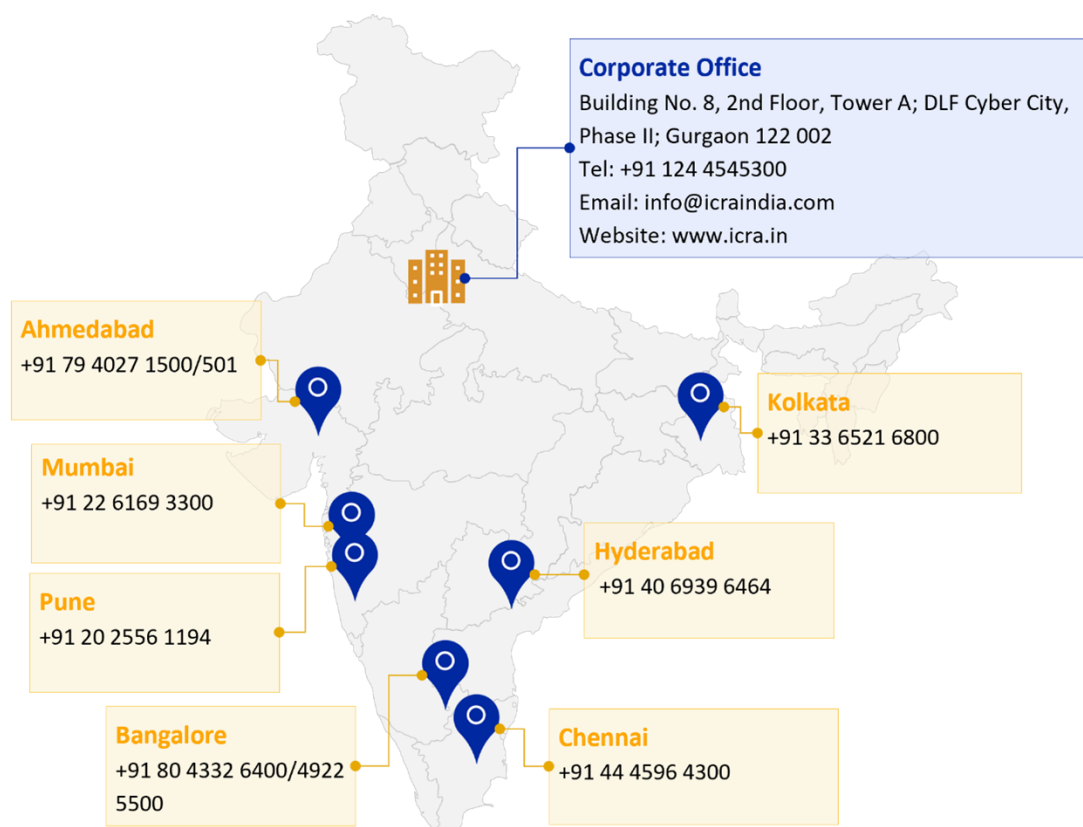
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