

August 18, 2025

APAC Financial Services Private Limited: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based bank lines	1,300	1,500	[ICRA]A (Stable); reaffirmed/assigned for enhanced amount
Total	1,300	1,500	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation factors in APAC Financial Services Private Limited's (APAC) improving scale of operations and profitability, its comfortable capitalisation, and augmented borrowing relationships, along with continued control over the asset quality despite the marginal uptick in FY2025. The company's assets under management (AUM) grew by 33% in FY2025 even as it adopted a cautious stance in Q4 FY2025. Stress in the microfinance and unsecured lending segments and the possibility of some impact on APAC's customer segment prompted the company to recalibrate its near-term growth strategy and prioritise asset quality. The company also exited the educational institutions loan (EIL) segment in FY2025 as the management intends to focus on the micro loan against property (micro-LAP) segment¹.

APAC's capitalisation improved following the ~Rs. 400-crore equity infusion in March 2024 by institutional investors – Norwest Capital LLC (Norwest) and Rajamahendra Chola Limited (Creador). Further, the company completed a secondary equity transaction of Rs. 300 crore in FY2025, with Norwest and Creador increasing their stakes to 16.40% each as of March 2025 from 9.67% each as of March 2024. While the borrowing level is likely to rise with the scaling up of operations, APAC is expected to maintain a prudent capitalisation level with the gearing not exceeding 3 times in the medium term. The improvement in the profitability metrics was supported by the AUM ramp-up and improving cost-to-income ratio. Moreover, the reported headline asset quality metrics remain stable, notwithstanding the uptick in FY2025.

The above positives are, however, partially offset by the limited but improving portfolio seasoning, geographically concentrated operations, and the modest credit profile of the target customer segment. Additionally, the scale of operations remains moderate despite the company's growth trajectory. Nevertheless, comfort is drawn from the secured, low ticket, and granular nature of the portfolio. The entire loan book is backed by property, with self-occupied residential property (SORP) accounting for over 95% of the collateral. While borrowing relationships have strengthened in recent years, diversification in the borrowing profile remains imperative. Going forward, the company's ability to profitably scale up its granular and secured lending operations, maintain comfortable capitalisation, and build a well-diversified resource base on competitive terms, while sustaining strong asset quality, will be critical from a credit perspective.

The Stable outlook reflects ICRA's expectation that APAC will continue to maintain a comfortable capitalisation profile and profitability trajectory while maintaining good control over the asset quality as it scales up its granular lending book.

¹ Micro-LAP segment refers to loan against property provided by APAC to micro and small enterprises in semi-urban and rural areas

Key rating drivers and their description

Credit strengths

Comfortable capitalisation – APAC's capitalisation is characterised by a net worth of Rs. 1,079.2 crore² and a gearing of 1.2 times as on March 31, 2025. The capital-to-risk weighted assets ratio (CRAR) stood at 39.0% as on March 31, 2025, comfortably above the regulatory requirement of 15%. The capital profile was augmented by the equity infusion of ~Rs. 400 crore in March 2024 in equal proportion by institutional investors – Norwest and Creador – for a 9.67% stake each in the company. Further, APAC completed a secondary equity transaction of Rs. 300 crore in FY2025, providing liquidity to some early external investors and employees. The improved capital position is expected to support the planned AUM scale-up in the near-to-medium term. In this regard, while the borrowing level is expected to increase with the scaling up of operations, APAC is likely to maintain a prudent capitalisation level with the gearing not increasing beyond 3 times in the medium term. ICRA notes that the company has not paid any dividends till date and the improved profitability in recent years has also supported net worth accretion.

Improving profitability – APAC's profitability remained on an improving trajectory in FY2025, supported by AUM growth. The company reported a profit after tax (PAT) of Rs. 110.0 crore compared to Rs. 61.7 crore in FY2024. The profitability metrics also improved with PAT/average managed assets (AMA) of 4.9% and return on average net worth (RoNW; PAT/average net worth) of 10.9% in FY2025 compared to 3.8% and 8.6%, respectively, in FY2024. The profitability was boosted by the scale-up in the operations, supported by healthy yields, low leverage and benign credit costs. APAC's ability to continue enhancing the operating efficiency while keeping tight control over the credit costs, given the growth trajectory for the near term, remains imperative for further improvement in the profitability on a sustained basis.

Secured and granular loan book; good control over asset quality despite uptick in FY2025 – APAC is a retail micro, small and medium enterprise (MSME) focussed non-banking financial company (NBFC) with the stated objective of building a secured, low-ticket and granular portfolio. The entire loan book is secured by property compared to ~93% as on March 31, 2022. SORP accounted for over 95% of the underlying collateral as on March 31, 2025. The average ticket size (ATS) stood at Rs. 4.9 lakh in FY2025 compared to Rs. 5.2 lakh in FY2024, although the ATS at disbursement was Rs. 6.0 lakh in FY2025. The average loan-to-value (LTV) was ~40% and the average yield was ~22% for microloans in FY2025. The door-to-door loan tenor is 6-10 years. In terms of collections, ~99% is through digital and banking channels. ICRA notes that the company exited the EIL segment in FY2025 due to limited growth potential, given the internal cap on the ticket size (ticket size of Rs. 2-3 crore). The management intends to focus on the micro-LAP segment while exploring new product opportunities for the existing customer segments over the long term.

APAC's headline asset quality metrics witnessed some uptick in FY2025 with the gross stage 3 (GS-3) and net stage 3 (NS-3) increasing to 1.2% and 0.7%, respectively, as on March 31, 2025 from 0.8% and 0.5%, respectively, as on March 31, 2024. On a 1-year lagged basis, the GS-3 stood at 1.6% as on March 31, 2025 compared to 1.2% as on March 31, 2024. The increase in delinquencies was partly on account of seasoning of the loan book. Further, the stress witnessed by the microfinance and unsecured lending segments had some impact on APAC due to some overlap of its borrowers in these segments. The credit cost³ also increased to Rs. 25.4 crore in FY2025 from Rs. 11.3 crore in FY2024, although it included management overlay of Rs. 8 crore in FY2025. The headline asset quality metrics had hitherto remained under control in the past. Notwithstanding the deterioration in FY2025, the company continues to demonstrate good control over the asset quality, resulting in largely benign credit costs. Higher delinquencies and credit costs with further seasoning of the loan book cannot be ruled out. Moreover, the bounce rates could remain elevated compared to historical levels till the stress in the broader environment subsides. The 30+ days past due (dpd) increased marginally to 2.0% as of March 2025 from 1.3% as of March 2024, though it remains below the peak of 9.1% as of June 2021 (impacted by Covid-19 pandemic).

² Excluding optionally convertible preference shares of 0.4 crore

³ Credit costs = Provisions + Write-offs (net of recoveries)

Credit challenges

Low, albeit improving, portfolio seasoning; modest credit profile of target customer segment – APAC’s lending operations expanded at a compound annual growth rate (CAGR) of ~56% during FY2022-FY2025. As it ramped up its operations significantly after the pandemic, portfolio seasoning remains limited, though on an improving trajectory. The company recalibrated its pace of growth in Q4 FY2025 due to the industry-wide stress in the microfinance and unsecured loan segments. While the company does not have a direct presence in the microfinance or unsecured lending segments, the management anticipated some impact as the underlying borrowers are in a similar category, with some of APAC’s borrowers also having microfinance or unsecured loans from other lenders. Nonetheless, the company estimates AUM growth of 30-40% during FY2026-FY2027.

The target customer segment primarily comprises micro and small business owners and self-employed individuals with a modest credit profile and limited credit history. New-to-credit customers comprised ~34% of the AUM as on March 31, 2025. Given the modest target customer profile, APAC remains susceptible to the incremental credit risk inherent to its target customer segment, given its growth aspirations. Thus, its ability to maintain good control over the asset quality, as the portfolio seasons and considering the expected scale-up in operations, will remain monitorable.

Geographically concentrated operations – APAC’s operations remained concentrated in six states as on March 31, 2025 with the top 3 states of Tamil Nadu (~50%; PY: 43%), Andhra Pradesh (22%; PY:25%) and Rajasthan (17%; PY:17%) accounting for 89% of the AUM compared to 85% as on March 31, 2024. Further, it is exposed to intense competition in some of these geographies due to the presence of more established players. Nonetheless, it achieved significant branch network expansion during FY2022-FY2025, adding 122 branches during this period. It plans to add 45-50 branches in FY2026, taking the total count to 250 by March 2026. The company also plans to explore an additional state in FY2026 on a pilot basis as well as scale up its presence in other existing states to manage the concentration risk. ICRA also notes the ramp-up in APAC’s customer base, comprising 43,412 customers across 205 branches in six states as on March 31, 2025 compared to 30,813 customers across 146 branches in six states as on March 31, 2024.

Limited diversification in resource profile, notwithstanding augmentation in borrowing relationships – APAC’s borrowings are largely from banks and select large NBFCs. Historically, the company’s operations were largely funded by equity while dependence on borrowings was limited. However, it augmented its lending relationships significantly from FY2023, onboarding some larger private and public sector banks. It had 24 banking relationships as on March 31, 2025 (21 as on March 31, 2024) compared to six as on March 31, 2022. Further, the company received enhancements (in limits and tenor) from existing lenders. The cost of funds improved in FY2025 as APAC was able to renegotiate the rate of interest with the existing lenders. The management expects a further improvement in the cost of funds, given the recent rate cuts by the Reserve Bank of India (RBI).

Besides onboarding new lenders, the company is in the process of tapping external commercial borrowings (ECBs). Alternatively, it may explore securitisation opportunities in FY2026, although it may not issue any non-convertible debentures as it is able to raise term loans from banks/NBFCs at competitive rates. ICRA notes that dependence on borrowings would increase from the current level with the incremental debt-funded business. In this regard, APAC’s ability to build a well-diversified resource profile on competitive terms on a sustained basis would remain critical from a credit perspective.

Liquidity position: Adequate

APAC’s liquidity profile remains adequate with positive cumulative mismatches across all buckets. The company had borrowings outstanding of Rs. 1,253.5 crore as on March 31, 2025. Against this, it had on-balance sheet liquidity of Rs. 231.8 crore (~18% of borrowings) as on that date, comprising an unencumbered cash and bank balance of Rs. 83.5 crore and liquid investments of Rs. 148.3 crore. Further, APAC had undrawn working capital limits of Rs. 37 crore and undrawn term loans of Rs. 125 crore as on March 31, 2025, while cumulative debt repayment obligations stood at ~Rs. 394 crore for the next one year

(up to March 31, 2026). The on-balance sheet liquidity and inflows from the loan book are adequate to meet the repayment obligations for the next one year. The monthly collection efficiency from the portfolio provides additional comfort.

Rating sensitivities

Positive factors – An improvement in the earnings profile while scaling up the granular and secured lending operations significantly would be a positive factor. Further, meaningful diversification in the resource profile, maintaining healthy asset quality, and a comfortable capital profile on a sustained basis could lead to a rating upgrade.

Negative factors – A significant increase in the leverage (gearing of over 4 times) over the medium term or continued weakening in the asset quality (90+ dpd increasing beyond 4%), thereby putting pressure on the profitability on a sustained basis, or sizeable deterioration in the liquidity profile would be a negative factor.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Rating Methodology for Non-banking Finance Companies
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

APAC Financial Services Private Limited (APAC) is a non-banking financial company (NBFC) registered with the Reserve Bank of India (RBI). It predominantly provides secured granular loans to micro and small enterprises. The company received its certificate of registration as a non-deposit taking NBFC from the RBI on February 21, 2018.

APAC has been promoted by Mr. Gunit Chadha (former Chief Executive Officer (CEO), Asia-Pacific and member of Global Group Executive Committee, Deutsche Bank), who held a 41.7% stake in the company as on March 31, 2025. The key institutional shareholders are Multiples Alternate Asset Management (via Multiples Private Equity Fund II LLP and Plenty Private Equity Fund I Limited) with a 20.0% stake, followed by Norwest and Creador with 16.4% each. The balance is held by certain high-net-worth individual investors and employees.

The company had 43,412 customers across 205 branches in six states as on March 31, 2025 compared to 30,813 customers across 146 branches in six states as on March 31, 2024. It reported a PAT of Rs. 110.0 crore on total income of Rs. 435.3 crore in FY2025 compared to Rs. 61.7 crore on total income of Rs. 298.8 crore in FY2024. The net worth stood at Rs. 1,079.2 crore with a gearing of 1.2 times as on March 31, 2025.

Key financial indicators (audited)

APAC Financial Services Private Limited	FY2024	FY2025
Total income	298.8	435.3
PAT	61.7	110.0
Total managed assets	2,056.7	2,400.1
Return on managed assets*	3.8%	4.9%
Reported gearing (times)	1.1	1.2
Gross stage 3	0.8%	1.2%
CRAR	40.9%	39.0%

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

*Managed assets = Total assets + Impairment provisions

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Aug 18, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Long-term fund-based bank lines	Long term	1,300	[ICRA]A (Stable)	Jun 28, 2024	[ICRA]A (Stable)	Sep 08, 2023	[ICRA]A- (Stable)	Jun 21, 2022	[ICRA]A- (Stable)
				-	-	-	-	Jun 28, 2022	[ICRA]A- (Stable)
				-	-	-	-	Jan 06, 2023	[ICRA]A- (Stable)
Long-term fund-based bank lines	Long term	200	[ICRA]A (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based bank lines	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	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long-term fund-based bank lines	NA	NA	NA	1,500	[ICRA]A (Stable)

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Not applicable

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