August 20, 2025

Vistaar Financial Services Pvt Ltd: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
NCD programme	205.0	205.0	[ICRA]A+ (Stable); reaffirmed
Long-term fund-based term loan	2,061.0	2,061.0	[ICRA]A+ (Stable); reaffirmed
Short-term fund-based overdraft	39.0	39.0	[ICRA]A1+; reaffirmed
Total	**2,305.0**	**2,305.0**	

**Instrument details are provided in Annexure I*

Rationale

The ratings reaffirmation factors in the strengthened capitalisation profile of Vistaar Financial Services Pvt Ltd (VFSPL), which would support the envisaged growth in its assets under management (AUM) over the medium term. The ratings continue to consider the company's experience in small business lending and healthy earnings performance. VFSPL has a track record of almost 15 years in lending to small businesses. Its AUM has increased at a compound annual growth rate (CAGR) of 24.3% over the past five years, reaching Rs. 4,930 crore as of March 2025. VFSPL expects to expand its AUM at a CAGR of 25-30% over the medium term. Supported by its strengthened capitalisation profile, the company's managed gearing would remain within 4 times over the next three years. VFSPL's earnings profile remains healthy, notwithstanding some moderation in Q1 FY2026 due to higher credit costs.

The ratings continue to factor in the moderate credit profile of VFSPL's borrowers. The company's delinquencies increased with its gross stage 3 (GS3) rising to 4.3% as of June 2025 (3.1% as of March 2025) from 2.7% as of March 2024. Softer bucket delinquencies also witnessed an uptick, with the 30+ days past due (dpd) increasing to 7.3% as of June 2025 (5.4% as of March 2025) from 4.2% as of March 2024. ICRA takes note of the tightening of credit policies and strengthening of the collection processes and teams in FY2025 and so far in the current fiscal. ICRA shall monitor the trends in VFSPL's loan overdues in the near term, considering the stress emanating from the micro, small and medium enterprises (MSME) segment.

VFSPL's operations remain regionally concentrated with the top 3 states accounting for 76% of its AUM as of June 2025. ICRA, however, expects the concentration to reduce gradually over the medium term as the AUM expands.

The Stable outlook reflects ICRA's opinion that the sizeable capital buffers and healthy profitability levels would protect VFSPL's credit profile, notwithstanding the near-term pressure on its asset quality performance.

Key rating drivers and their description

Credit strengths

Experience in small business loan segment – VFSPL commenced operations in 2010. It provides secured MSME loans against residential and commercial properties as collateral in rural and semi-urban areas. Its target customers include small businesses such as shops, small manufacturing units, power looms, kirana/general shops, and home-based industries, which do not have access to organised funding to grow. It follows a cluster-based approach with branches in areas with high concentration of small businesses/micro enterprises. The company's growth and asset quality were impacted by demonetisation, especially the small-ticket hypothecation loan segment (non-mortgage-backed credit) and the dairy & allied segments. Consequently, VFSPL revised its product mix and has been focussing only on mortgage-backed credit products in recent years. Currently, its entire portfolio is backed by mortgage, with loans for housing purposes constituting about 23% of the AUM as of June 2025.

Comfortable capital structure – VFSPL recently raised sizeable equity capital of Rs. 870 crore (Rs. 840 crore in Q4 FY2025 and Rs. 30 crore in Q1 FY2026) from new investors including Motilal Oswal Finvest Limited, IMP2 Catalyst Pte Ltd (Temasek Holdings), Faering Capital Growth Fund III, Faering Capital International Growth Fund III and Pravaah Investments. Warburg Pincus (through its investment vehicle, Aqua Lagoon Investment Limited) remains the majority shareholder after these transactions with a stake of 70.1% as of June 2025 (77.8% in March 2025). Following the equity raise, the company's capitalisation profile has been strengthened, with the managed gearing improving to 1.2 times as of June 2025 (1.4 times as of March 2025) from 2.3 times as of March 2024. Its capital-to-risk weighted assets ratio (CRAR) stood at 51.3% as of June 2025. Considering the company's envisaged growth plans, further capital infusion would not be required in the near term. ICRA notes that the management's plan to maintain a prudent capitalisation level, with the managed gearing not exceeding 4.0 times over the near-to-medium term, provides comfort.

Healthy earnings performance – VFSPL's interest margins have remained range-bound over the last few years. Its operating expenses have, however, continued to improve steadily and stood at 4.2% {as a proportion of average managed assets (AMA)} in Q1 FY2026 vis-à-vis 4.5% in FY2025, 5.2% in FY2024 and 5.3% in FY2023, supported by enhanced operating efficiency. This has helped the company expand its pre-provision operating profit to a healthy 7.0% in Q1 FY2026 and 6.7% in FY2025 from 5.2% in FY2024 (4.9% in FY2023). VFSPL undertook higher write-offs of Rs. 41.0 crore in FY2025 due to a revision in its technical write-off policy to 820 dpd from 1,092 dpd which resulted in decrease in the company's PCR from 51.5% to 37.6% in FY2025. Overall, the credit costs increased to 1.5% of AMA in FY2025 from 0.7% in FY2024 (0.9% in FY2023). Furthermore, credit costs remained elevated in Q1 FY2026 as increasing delinquency levels necessitated incremental credit provisioning. Nevertheless, VFSPL's net profitability (return on managed assets; RoMA) has remained healthy with RoMA of 3.8% in Q1 FY2026 (4.1% in FY2025) vis-à-vis 3.6% and 3.1%, respectively, in FY2024 and FY2023. Going forward, managing overdues and credit costs shall be key from a profitability perspective.

Credit challenges

Moderate scale of operations; regionally concentrated operations – VFSPL's AUM had increased at a CAGR of 24.3% over the last five years. The company slowed down its disbursements in FY2025 as asset quality risks were elevated, leading to a reduction in AUM growth to 22% during the year. Overall, its scale is moderate with AUM of Rs. 5,047 crore as of June 2025 and Rs. 4,930 crore as of March 2025 (Rs. 4,054 crore as of March 2024). Near-term growth could remain relatively modest in view of the stress in the target segment. As of June 2025, VFSPL's portfolio was largely concentrated in Tamil Nadu (37%), Karnataka (22%), Andhra Pradesh (18%) and Telangana (5%). While expansion to new states has improved its geographical diversity, the top 3 states continued to account for about 76% of its total portfolio as of June 2025, exposing it to concentration-related risks. Going forward, VFSPL intends to grow and diversify its portfolio, which should result in a gradual reduction in the share of these states in the overall portfolio.

Moderate credit profile of borrowers – VFSPL's client profile comprises self-employed borrowers engaged in small businesses, who typically have a moderate credit profile. This segment of borrowers faced incremental stress in the previous fiscal on account of factors such as overleveraging, cash flow volatility, etc. Thus, the GS3 rose to 4.3% as of June 2025 from 3.1% as of March 2025 and 2.7% as of March 2024. The softer bucket delinquencies also increased in Q1 FY2026 with the 30+ dpd rising to 7.3% as of June 2025 and 5.4% as of March 2025 from 4.2% as of March 2024. Certain larger states such as Tamil Nadu, Karnataka and Andhra Pradesh have witnessed higher delinquencies with borrowers in these states impacted by overleveraging and cash flow issues. Correspondingly, the company has tightened its collection processes and introduced certain early warning systems.

To retain borrowers with established track records and increase its exposure to affordable home loans, the company had gradually raised its exposure to loans with higher tenures over the past few years. The share of higher-tenor loans (>84 months) increased to 78% of the AUM as of June 2025 from 77% as of March 2025 (74% as of March 2023) and 15% as of March 2018.

The share of higher-ticket loans (>Rs. 20 lakh) moderated to 16.4% of the AUM as of June 2025 from 17.3% as of March 2025 and 28.4% as of March 2024 as the company focussed on granularising its loan book. With VFSPL's predominant focus expected to be on the Rs. 5-20 lakh loan ticket size category, loan concentration related risks would continue to improve over the medium term. Further, ICRA notes that the company has improved its exposure to a segment with a better risk profile. This is validated by the increase in the share of the portfolio with a CIBIL score of more than 700 in recent years. Nevertheless, a sizeable portion of the loan book (12.1% in March 2025) continues to comprise borrowers from the new-to-credit (NTC) segment. ICRA notes that the company started tightening its credit policies in FY2025 with respect to various underwriting parameters, including loan-to-value (LTV), ticket sizes and loan tenors, etc, which would support an improvement in the risk profile of its loan exposures.

Liquidity position: Strong

As on June 30, 2025, the company was carrying unencumbered cash and cash equivalents of Rs. 536.9 crore and unutilised bank sanctions of Rs. 430.0 crore against scheduled debt obligations Rs. 432.2 crore from July 2025 till September 2025. The asset-liability maturity (ALM) profile, as of March 2025, reflected positive cumulative mismatches across all buckets. As of March 2025, the company maintained a liquidity coverage ratio (LCR) of 458.4%.

As on June 2025, VFSPL had borrowings from around 43 lenders, comprising a mix of public sector banks (8), private sector banks (15), Small Finance Bank (4), foreign banks (1), non-banking financial institutions/financial institutions (NBFCs/FIs; 11) and Mutual Funds (2), International FI (2). Its lender profile, as of June 2025, was skewed towards funding from banks, constituting 71% of the total borrowings (ECB; 15%), NCD (9%), NBFCs/FIs formed (5%) of the borrowings.

Rating sensitivities

Positive factors – Sustained scale up of operations while maintaining a healthy asset quality and earnings profile

Negative factors – Pressure on the ratings could arise on an increase in managed gearing beyond 4 times on a sustained basis. Deterioration in the asset quality indicators with the GS3 increasing beyond 4.5%, resulting in a decline in the RoMA on a sustained basis.

Analytical approach

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

About the company

VFSPL is a Bengaluru-based non-banking financial company (NBFC) catering to small businesses. It commenced operations in 2010 with a focus on microfinance (MF) loans. However, it shifted its focus to providing loans to micro, small and medium enterprises (MSMEs) in rural and semi-urban areas from April 2011 and stopped disbursing new MF loans from August 2011. The company mainly provides small business mortgage loans (SBMLs) at present. Small businesses funded by VFSPL include trading, kirana/general stores/shops, power/auto/handlooms, dairy and allied products, and small manufacturing units.

Warburg Pincus LLC is the majority shareholder with a 70.1% stake as of June 2025. New investors (Motilal Oswal Finvest Limited, IMP2 Catalyst Pte Ltd, Faering Capital Growth Fund III and Faering Capital International Growth Fund III) infused funds in the company in FY2025 and Q1 FY2026 (Rs. 840 crore in FY2025 and Rs. 30 crore in Q1 FY2026). Mr. Avijit Saha, who has more than 30 years of experience in rural and inclusive banking, is VFSPL's Managing Director & Chief Executive Officer (MD & CEO). The board consists of two nominee directors, representing the private equity firm, and three independent directors.

As of March 2025, VFSPL had 265 branches in 12 states/Union Territories, including Tamil Nadu, Karnataka, Maharashtra, Gujarat, Madhya Pradesh, Rajasthan, Odisha, Uttar Pradesh, Andhra Pradesh, Telangana, Haryana and Delhi.

Key financial indicators

Vistaar Financial Services Pvt Ltd	FY2024	FY2025	Q1 FY2026*
Total income	684.7	924.0	239.9
Profit after tax	147.1	221.1	56.7
Total managed assets[1]	4,631.7	6,073.1	5,790.0
Return on managed assets	3.6%	4.1%	3.8%
Managed gearing (times)	2.27	1.4	1.2
Gross stage 3	2.7%	3.1%	4.3%
CRAR	33.4%	51.4%	51.3%

**Limited review*

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

[1] *Total managed assets = Total assets + Off-book AUM*

Rating history for past three years

	Current rating (FY2026)			Chronology of rating history for past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Aug 20, 2025	Date	Rating	Date	Rating	Date	Rating
Fund based – Term loan	Long term	2,061.00	[ICRA]A+ (Stable)	Dec 30, 2024	[ICRA]A+ (Stable)	Aug 04, 2023	[ICRA]A (Positive)	Jun 17, 2022	[ICRA]A (Stable)
				-	-	Feb 07, 2024	[ICRA]A+ (Stable)	Nov 25, 2022	[ICRA]A (Stable)
				-	-	Mar 20, 2024	[ICRA]A+ (Stable)	-	-
Fund based – Overdraft	Short term	39.00	[ICRA]A1+	Dec 30, 2024	[ICRA]A1+	Aug 04, 2023	[ICRA]A1	Jun 17, 2022	[ICRA]A1
				-	-	Feb 07, 2024	[ICRA]A1+	Nov 25, 2022	[ICRA]A1
				-	-	Mar 20, 2024	[ICRA]A1+	-	-
NCD	Long term	205.00	[ICRA]A+ (Stable)	Dec 30, 2024	[ICRA]A+ (Stable)	Aug 04, 2023	[ICRA]A (Positive)	Jun 17, 2022	[ICRA]A (Stable)
				-	-	Feb 07, 2024	[ICRA]A+ (Stable)	Nov 25, 2022	[ICRA]A (Stable)
				-	-	Feb 07, 2024	[ICRA]A+ (Stable)	-	-
				-	-	Mar 20, 2024	[ICRA]A+ (Stable)	-	-
				-	-	Mar 20, 2024	[ICRA]A+ (Stable)	-	-
				-	-	Mar 20, 2024	[ICRA]A+ (Stable); withdrawn	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
NCD programme	Simple
Long-term fund-based term loan	Simple
Short-term fund-based overdraft	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
INE016P07195	**Non-convertible debentures**	Mar-05-2024	9.75%	Mar-05-2027	75.00	[ICRA]A+ (Stable)
INE016P07203	**Non-convertible debentures**	Mar-26-2024	9.75%	Mar-26-2026	100.00	[ICRA]A+ (Stable)
INE016P07211	**Non-convertible debentures**	Apr-19-2024	9.65%	Apr-19-2027	30.00	[ICRA]A+ (Stable)
NA	**Long-term fund-based term loan**	Sep-21-2021	8.1-11.1%	Sep-30-2030	2,061.00	[ICRA]A+ (Stable)
NA	**Short-term fund-based overdraft**	-	-	-	39.00	[ICRA]A1+

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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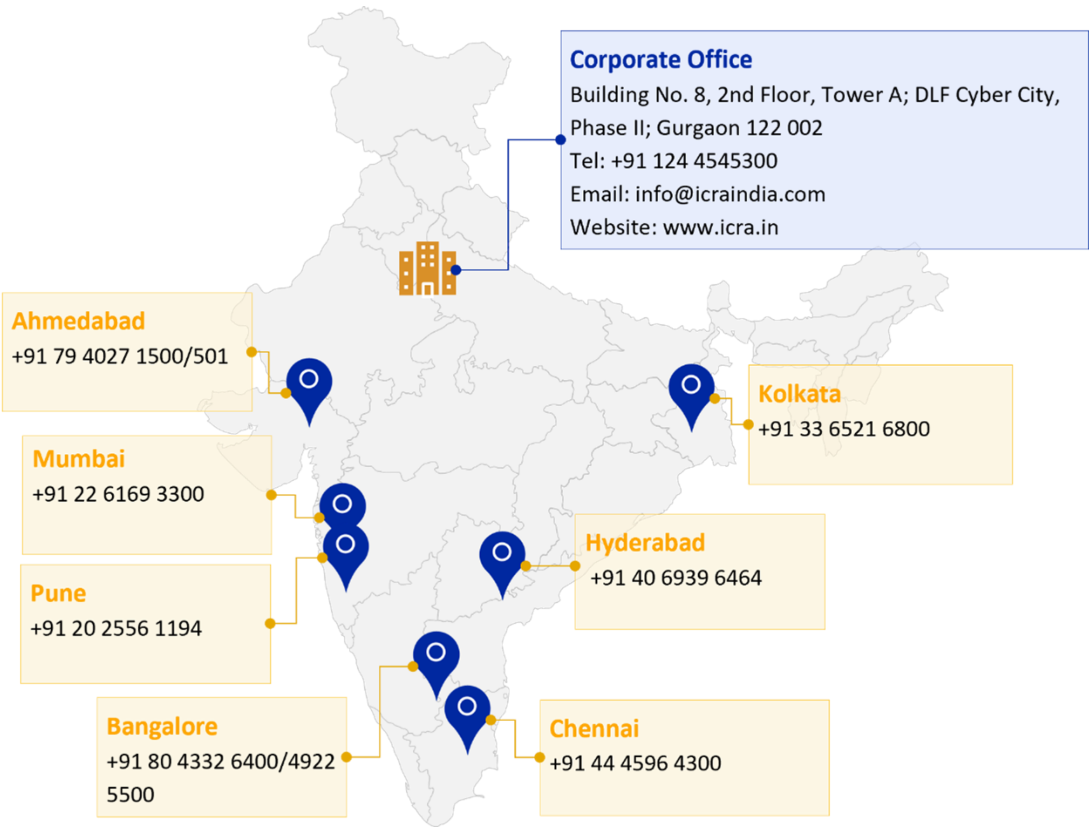

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