

August 27, 2025

## InCred Financial Services Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-convertible debentures	1,100.00	1,100.00	[ICRA]AA- (Stable); reaffirmed
Commercial paper	500.00	500.00	[ICRA]A1+; reaffirmed
Market linked debentures	300.00	300.00	PP-MLD[ICRA]AA- (Stable); reaffirmed
<b>Total</b>	<b>1900.00</b>	<b>1,900.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The ratings factor in InCred Financial Services Limited's (IFSL) healthy capitalisation profile, which is expected to support the envisaged growth in its assets under management (AUM) over the near-to-medium term. The ratings also consider the diversified product mix with personal loans (PLs) accounting for 52% of the AUM, followed by student loans (24%), anchor & escrow-backed business loans (11%), loans to financial institutions (5%), loan against property (LAP; 5%) and secured school financing (3%) as of June 2025. ICRA expects the AUM growth to moderate to about 20% in the near term. Moreover, the share of PL and LAP in the overall AUM would increase as disbursements in the student loan segment are expected to moderate in the near term. The ratings also take into account IFSL's comfortable profitability {profit after tax (PAT)/average managed assets (AMA)}, on a consolidated basis, of 3.0% in FY2025 (3.6% in FY2024), supported by the improving operating efficiency. However, net credit costs have increased with the reduction in recoveries from the legacy portfolio<sup>1</sup> and the moderation in the asset quality performance in some segments.

The robust scale-up of operations in the recent past has led to limited portfolio seasoning, given the relatively long-tenure nature of some of the products. Growth was also seen in the company's managed book<sup>2</sup>, which accounted for 14% of the AUM in June 2025. IFSL's co-lending arrangements are with public sector banks at present. Student loans, secured school financing and LAP, which are longer-tenure products (9-16 years), had increased at a compound annual growth rate (CAGR) of 55% during FY2023-FY2025 (~23% in Q1 FY2026), accounting for 32% of the AUM as of June 2025.

PLs originated by IFSL (50% of AUM in June 2025) have an average tenure of about four years. As these loans are unsecured, they are prone to asset quality shocks. Apart from own PLs, IFSL has a PL book (2% of AUM in March 2025) sourced via partner entities, which is covered by a first loss default guarantee (FLDG) as per the digital lending guidelines. The company provides anchor/escrow-backed business loans including supply chain finance (11% of AUM in June 2025) to borrowers operating on various e-commerce and other platforms. IFSL's gross stage (GS3) rose slightly to 2.3% as of June 2025 from 1.9% as of March 2025 (2.1% as of March 2024).

The Stable outlook factors in ICRA's expectation that IFSL will keep its asset quality indicators under control and have comfortable capital buffers while it scales up its AUM.

<sup>1</sup> Wholesale portfolio taken on books pursuant to IFSL's merger with KKR India Financial Services Limited in FY2023

<sup>2</sup> Co-lending and direct assignment

## Key rating drivers and their description

### Credit strengths

**Healthy capitalisation profile** – IFSL’s capitalisation was characterised by a healthy capital adequacy ratio of 25.7% (Tier I) as of March 2025, supported by sizeable capital infusions and comfortable internal accruals. ICRA notes that the merger with KKR India Financial Services Limited (KIFSL) in FY2023 had increased the net worth by ~Rs. 1,250 crore, which was further bolstered by the equity infusion of Rs. 500 crore in FY2024. The consolidated net worth stood at Rs. 3,722 crore as of March 2025<sup>3</sup> with a managed gearing<sup>4</sup> of 2.7 times. The company envisages expanding at a CAGR of 20% over the medium term. ICRA expects IFSL’s managed gearing to remain within 4.0 times while it grows its AUM during the above-mentioned period.

**Diversified product profile** – IFSL offers diversified loan products including PLs (52% of the AUM in June 2025), student loans (24%), anchor & escrow-backed business loans (11%), financial institution loans (6%), LAP (5%) and secured school financing (3%). The average ticket size of PLs is ~Rs. 2 lakh with an average tenor of ~4 years and is focussed on the salaried segment. A portion of the PL book is originated by partners (2% of the AUM) with loan loss covers through FLDGs. Student loans are mainly extended for overseas education and have an average ticket size of ~Rs. 35 lakh, accompanied by a guarantor. Anchor & escrow-backed business loans and supply chain loans are extended to borrowers operating on various e-commerce and other platforms. These loans are generally anchor-backed or have escrow facilities, mitigating some of the underlying credit risks in the target segments.

The company thus caters to a diverse set of end borrowers, partially reducing its credit concentration risk. IFSL is expected to focus on these products while the share of the LAP segment is likely to increase from the current level. The company had 140 branches and more than 2,000 employees as of March 2025, up from 55 branches and more than 1,700 employees as of March 2024. The recent expansion was done to support the LAP segment growth while a sizeable part of the operations in the other segments is driven by technology.

**Comfortable profitability indicators** – On a consolidated basis, the company’s PAT/AMA improved to 3.0% and 3.6% in FY2025 and FY2024, respectively, from 2.1% in FY2023. This was supported by healthy margins and lower operating expenses. IFSL had invested significantly in building its technology infrastructure during the initial stages. With the scale-up of operations, it was able to steadily improve its operating efficiency over the years. In the past, the net profitability was also supported by recoveries from the written-off pool acquired as a part of the merger in FY2023. Adjusting for these recoveries, PAT/AMA would have been steady at 2.8% in FY2025 as well as FY2024. Such recoveries are likely to be restricted, which would result in the normalisation of the net credit costs, reflecting the existing portfolio risks. Going forward, ICRA expects the company to maintain stable margins and operating expenses. However, keeping the credit costs under control, as the portfolio seasons, would be key.

### Credit challenges

**High portfolio growth, resulting in limited portfolio seasoning** – IFSL’s AUM grew by 37% in FY2025 (on the back of the robust 49% growth in FY2024) to Rs. 12,384 crore as of March 2025. It rose by 36% YoY in Q1 FY2026, reaching Rs. 12,815 crore as of June 2025. PLs and student loans increased by 56% and 52%, respectively, in FY2025 (51% and 42% YoY, respectively, in June 2025) and 57% and 86%, respectively, in FY2024. ICRA expects the growth in the student loan segment to slow down significantly in the near term due to the uncertainty regarding opportunities for pursuing higher education programmes in USA and other developed markets. Accordingly, the AUM growth is expected to moderate to about 20% in the near term. The company expects to expand its LAP segment to partially compensate for the weakness in the student loan segment. Overall, the steep growth witnessed in the past and the longer tenure of the loans in most of the segments indicate limited portfolio

<sup>3</sup> Adjusted for deferred tax assets, the consolidated net worth and managed gearing stood at Rs. 3,077.7 crore and 2.2 times, respectively

<sup>4</sup> (On-book debt + Off-book debt)/Net worth

seasoning at present. ICRA also notes that a major portion of the student loan book is currently under moratorium (~87% as of March 2025).

**Asset quality monitorable due to target segments** – IFSL’s overall asset quality performance remains under control, notwithstanding the moderate increase in the GS3 to 2.3% as of June 2025 from 1.9% as of March 2025. The overall expected credit loss (ECL) provision stood at 3.0% of the loan book as of June 2025 while the stage 3 provision coverage ratio (PCR) was ~62%. Write-offs (as a percentage of opening book) increased to 1.4% in FY2025 {1.2% (annualised) in Q1 FY2026} from 0.9% in FY2024, mainly due to the PL and anchor/escrow-backed business loan segments. The 90+ days past due (dpd), on a one-year lagged basis (90+ dpd/AUM one year ago), was 3.2% as of June 2025 (2.8% as of March 2025) vis-à-vis 2.9% as of March 2024.

The 90+ dpd in the PL segment stood at 3.4% of the AUM as of June 2025 (3.1% as of March 2025) compared to 3.2% in March 2024. It remained minimal in the student loan segment at 0.2% in March 2025 (0.2% in June 2025) vis-à-vis 0.1% in March 2024, as the majority of these loans were under moratorium, while it increased to 3.0% in June 2025 (2.0% in March 2025) from 1.9% in March 2024 for the anchor/escrow-backed business loan segment. ICRA notes that the asset quality performance would remain monitorable, given the unsecured nature of the PL portfolio, the geopolitical risks associated with the student loan portfolio and the relatively moderate credit profile of the target borrowers/anchors in the business loan segment.

### Liquidity position: Strong

IFSL had free cash and liquid investments of Rs. 1,286 crore and undrawn bank lines of Rs. 631 crore, as of June 2025, against debt obligations of Rs. 1,038 crore during July-September 2025. As per the asset-liability management profile as of June 2025, there are no negative cumulative mismatches in any of the buckets. Further, the company maintained a healthy liquidity coverage ratio of ~186% as of June 2025. Borrowings include bank loans of 42%, non-banking financial company (NBFC)/financial institution loans of 21%, non-convertible debentures (NCDs) of 19%, external commercial borrowings of 8%, securitisation of 7% and commercial paper of 3%.

### Rating sensitivities

**Positive factors** – Significant scale-up in the portfolio, while maintaining good asset quality and earnings on a sustained basis, would lead to a positive impact on the ratings.

**Negative factors** – An increase in the managed gearing beyond 4.0 times or a deterioration in the asset quality indicators on a sustained basis could lead to a negative impact on the ratings. Weakening in the return on managed assets (RoMA) to less than 2.0% on a sustained basis shall also negatively impact the ratings.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">ICRA's credit rating methodology for non-banking finance companies</a>
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of IFSL. Refer to Annexure II for the list of entities considered for consolidation.

## About the company

InCred Financial Services Limited (IFSL; erstwhile KKR India Financial Services Limited or KIFSL) is a non-banking financial company (NBFC) registered with the Reserve Bank of India (RBI). In FY2023, the erstwhile IFSL was merged with KIFSL, becoming a 100% subsidiary of InCred Holdings Limited (IHL; erstwhile KKR Capital Markets Private Limited, the holding company of KIFSL). The merged entity (i.e. KIFSL) was subsequently renamed InCred Financial Services Limited. The shareholders of the erstwhile IFSL became IHL's shareholders.

The company's registered office is in Mumbai. It provides personal loans, education loans, school financing, LAP, loans to financial institutions and anchor & escrow-backed business loans. As of March 2025, IFSL had operations in 18 states with 140 branches.

### Key financial indicators – Consolidated

IFSL	FY2024	FY2025
Total income	1,293	1,883
PAT <sup>#</sup>	316	374
Total managed assets	10,458	14,512
Return on managed assets	3.6%	3.0%
Managed gearing (times)	2.0	2.7
Gross stage 3	2.1%	1.9%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; <sup>#</sup> Excludes share of loss from associates

### Key financial indicators – Standalone

IFSL	FY2024	FY2025
Total income	1,292	1,883
PAT	315	372
Total managed assets	10,471	14,523
Return on managed assets	3.5%	3.0%
Managed gearing (times)	2.0	2.7
Gross stage 3	2.1%	1.9%
CRAR	30.4%	26.1%

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

**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-27-2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Non-convertible debentures	Long term	1,100.00	[ICRA]AA- (Stable)	Jun-03-2024	[ICRA]AA- (Stable)	Mar-28-2024	[ICRA]AA- (Stable)	-	-
				Aug-28-2024	[ICRA]AA- (Stable)			-	-
				Mar-05-2025	[ICRA]AA- (Stable)				
Commercial paper	Short term	500.00	[ICRA]A1+	Jun-03-2024	[ICRA]A1+	Mar-28-2024	[ICRA]A1+	-	-
				Aug-28-2024	[ICRA]A1+			-	-
				Mar-05-2025	[ICRA]A1+				
Market linked debentures	Long term	300.00	PP-MLD[ICRA]AA- (Stable)	Aug-28-2024	PP-MLD[ICRA]AA- (Stable)	-	-	-	-
				Mar-05-2025	PP-MLD[ICRA]AA- (Stable)				

## Complexity level of the rated instruments

Instrument	Complexity indicator
Non-convertible debentures	Simple
Commercial paper	Very simple
Market linked debentures	Moderately complex

Note: The complexity indicator mentioned in the table is based on ICRA's assumptions and is subject to change when the terms are eventually finalised

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
INE321N07400	NCD	May-22-2024	9.50%	May-21-2026	50.00	[ICRA]AA- (Stable)
INE321N07426	NCD	Aug-20-2024	9.50%	Aug-18-2026	100.00	[ICRA]AA- (Stable)
INE321N07442	NCD	Sep-19-2024	9.50%	Sep-18-2026	215.00	[ICRA]AA- (Stable)
INE321N07459	NCD	Oct-29-2024	9.50%	Oct-29-2026	50.00	[ICRA]AA- (Stable)
INE321N07475	NCD	Nov-28-2024	9.90%	Nov-25-2027	25.00	[ICRA]AA- (Stable)
INE321N07483	NCD	Dec-11-2024	9.50%	Dec-11-2026	90.00	[ICRA]AA- (Stable)
INE321N07491	NCD	Dec-31-2024	9.50%	Dec-31-2026	55.00	[ICRA]AA- (Stable)
INE321N07509	NCD	Jan-20-2025	9.50%	Jul-19-2027	55.00	[ICRA]AA- (Stable)
INE321N07525	NCD	Feb-17-2025	9.60%	Aug-16-2028	100.00	[ICRA]AA- (Stable)
NA	NCD*	NA	NA	NA	360.00	[ICRA]AA- (Stable)
INE321N14307	CP	Jan-20-2025	9.45%	Jan-20-2026	50.00	[ICRA]A1+
INE321N14315	CP	Mar-26-2025	9.30%	Dec-22-2025	75.00	[ICRA]A1+
INE321N14208	CP	Aug-27-2024	9.50%	Aug-27-2025	25.00	[ICRA]A1+
INE321N14323	CP	Apr-08-2025	8.25%	Oct-06-2025	20.00	[ICRA]A1+
INE321N14331	CP	Jun-06-2025	9.00%	Mar-27-2026	25.00	[ICRA]A1+
NA	CP*	NA	NA	NA	305.00	[ICRA]A1+
NA	MLD*	NA	NA	NA	300.00	PP-MLD[ICRA]AA- (Stable)

Source: Company; \*Not yet placed

## Annexure II: List of entities considered for consolidated analysis

Company name	IFSL ownership	Consolidation approach
Incred FinServ Private Limited <sup>#</sup>	100.00%	Full consolidation
Incred Corporate Solutions Limited <sup>@</sup>	100.00%	Full consolidation
Booth Fintech Private Limited*	100.00%	Full consolidation
mValu Technology Services Private Limited*	75.82%	Full consolidation

Source: IFSL's FY2025 financials

Note: ICRA has taken a consolidated view of IFSL while assigning the ratings; \* Ceased to be a subsidiary with effect from July 11, 2023

<sup>#</sup> Erstwhile InCred Management and Technology Services Private Limited; <sup>@</sup> Erstwhile Incred.AI Limited

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### Branches



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