

October 24, 2025

Pahal Financial Services Pvt. Ltd.: Update on entity

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating outstanding
Non-convertible debentures	29.00	29.00	[ICRA]BBB- (Negative)
Non-convertible debentures	3.40	3.40	[ICRA]BBB- (Negative)
Long-term term loan – Fund based	50.00	50.00	[ICRA]BBB- (Negative)
Total	82.40	82.40	

*Instrument details are provided in Annexure I

Rationale

Pahal Financial Services Pvt. Ltd. (PFSP) has acquired Sub-K Impact Solutions Ltd's {rated [ICRA]BB (Stable)} business correspondent (BC) portfolio of approximately Rs. 700 crore for a consideration of ~Rs. 50 crore vide a business transfer agreement (BTA). As part of the deal, PFSP made an upfront payment of ~Rs. 42 crore with the rest contingent upon the fulfilment of specific conditions outlined in the BTA. The transaction includes the transfer of 250 branches, ~1,200 employees, and nearly 3 lakh customers. The acquisition has been strategically structured to harness operational synergies, with limited geographical and borrower overlap. In ICRA's opinion, this transaction will support the company in improving its scale and geographical diversity.

PFSP had raised ~Rs. 147 crore from Proparco and GAWA in March 2025, leading to a significant improvement in its managed gearing to 4.3 times and 3.8 times as of March 2025 and June 2025, respectively, from 7.7 times as of March 2024. As on June 30, 2025, the company had reported a 38% decline in its overall portfolio, with the assets under management (AUM) standing at Rs. 1,573 crore. This was primarily due to the sale of non-performing assets (NPA), amounting to approximately Rs. 117 crore, to an asset reconstruction company (ARC) in Q1 FY2026.

ICRA notes that the reported gross non-performing assets (NPAs) remained relatively comfortable at 1.2% as of June 2025, aided by the sale of stressed assets to the ARC. However, delinquencies remained elevated with 0+ days past due (dpd) loans rising to approximately 17% of AUM as on June 30, 2025 from 14% as on March 31, 2025 (4% as on March 31, 2024). ICRA expects the asset quality and profitability to remain under pressure in the near term. The company's ability to contain further slippages and achieve recoveries from delinquent accounts will be critical, going forward.

ICRA has a Negative outlook on PFSP's rating. It will closely track the company's performance and the impact of the BTA on its credit risk profile before taking any further rating action.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position, and rating sensitivities: [Click here](#)

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Non-banking Finance Companies (NBFCs)
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

PFSPL is an Ahmedabad-based non-banking financial company-microfinance institution (NBFC-MFI) registered with the Reserve Bank of India. It commenced operations in March 2011 by acquiring the existing operations of Lok Vikas Nidhi, a trust operational in Gujarat, for over 25 years. The current promoters acquired the portfolio of Rs. 2.6 crore spread over 15 branches, along with the field staff of Lok Vikas, and subsequently transferred the acquired portfolio to an NBFC along with an equity contribution of Rs. 2 crore. The NBFC was renamed Pahal Financial Services Pvt. Ltd.

PFSPL lends to poor women primarily in the rural and semi-urban areas of Gujarat, Rajasthan, Madhya Pradesh, Bihar, Uttar Pradesh, Chhattisgarh, Haryana, Maharashtra, Tamil Nadu, Puducherry and Telangana. It reported a profit after tax (PAT) of Rs. 1 crore in Q1 FY2026 with AUM of ~Rs. 1,573 crore as on June 30, 2025 compared to PAT of Rs. 6 crore in FY2025 and AUM of Rs. 1,773 crore as on March 31, 2025.

Key financial indicators

PFSPL	FY2024	FY2025	Q1 FY2026
	Audited	Audited	Provisional
Accounting as per	Ind-AS	Ind-AS	Ind-AS
Total income	461	486	105
Profit after tax	39	6	1
Total managed assets	2,402	2,294	2,099
Return on average managed assets	1.9%	0.3%	0.2%
Managed gearing (times)	7.7	4.3	3.8
Gross NPA (on-book)	2.2%	6.4%	1.2%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; Managed gearing = (On-book debt + Off-book portfolio)/Net worth

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

Instrument	Current (FY2026)					Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Oct 24, 2025	Date	Rating	FY2025		FY2024		FY2023	
						Date	Rating	Date	Rating	Date	Rating
Long-term term loan – Fund based	Long term	50.0	[ICRA]BBB - (Negative)	Jul-24-25	[ICRA]BBB- (Negative)	Dec-17-24	[ICRA]BBB- (Negative)	Mar-8-24	[ICRA]BBB - (Stable)	Mar-10-23	[ICRA]BBB - (Stable)
NCD	Long term	8.4	[ICRA]BBB - (Negative)	Jul-24-25	[ICRA]BBB- (Negative)	Dec-17-24	[ICRA]BBB- (Negative)	-	-	-	-
NCD	Long term	24.0	[ICRA]BBB - (Negative)	Jul-24-25	[ICRA]BBB- (Negative)	-	-	-	-	-	-
		-	-	-	-	-	-	Mar-28-24	[ICRA]BBB - (Stable)	-	-
NCD	Long term	-	-	Jul-24-25	[ICRA]BBB- (Negative); withdrawn	Dec-17-24	[ICRA]BBB- (Negative)	Mar-8-24	[ICRA]BBB - (Stable)	Mar-10-23	[ICRA]BBB - (Stable)

		-	-	-	-	Dec-17-24	[ICRA]BBB- (Negative); withdrawn	Mar-8-24	[ICRA]BBB - (Stable); withdrawn	-	-
		-	-	-	-	-	-	Mar-28-24	[ICRA]BBB - (Stable)	-	-

Source: Company

Complexity level of the rated instrument

Instrument	Complexity indicator
Non-convertible debentures	Simple
Bank facilities	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	Name of instrument	Date of issuance	Coupon rate	Maturity date	Rated amount (Rs. crore)	Current rating and outlook
INE514Q07387	NCD	August 2025	12.25%	August 2028	29.00	[ICRA]BBB- (Negative)
Yet to be issued	NCD	-	-	-	3.40	[ICRA]BBB- (Negative)
NA	Bank lines	Mar 2023	MCLR + 2.85%	Mar 2026	50.00	[ICRA]BBB- (Negative)

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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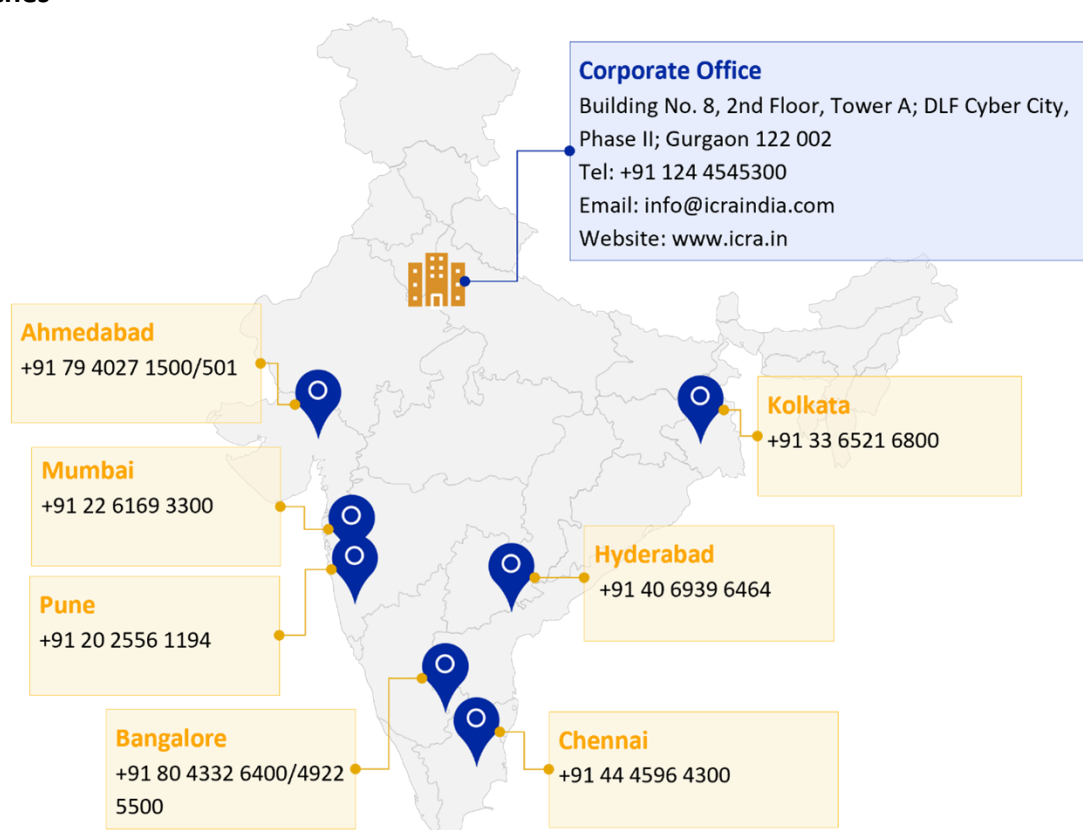
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