

December 22, 2025

Fedbank Financial Services Limited: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Commercial paper programme	1,000.00	2,000.00	[ICRA]A1+; reaffirmed and assigned for enhanced amount
Total	1,000.00	2,000.00	

*Instrument details are provided in Annexure I

Rationale

The rating action factors in the strong parentage of Fedbank Financial Services Limited (FFSL) with Federal Bank Limited (FBL) holding a 60.90% stake. The company is expected to remain FBL's subsidiary and shall continue to benefit from the managerial, operational and financial support from the bank, when required. The rating considers FFSL's comfortable capitalisation profile with a gearing¹ of 3.8 times and capital-to-risk weighted assets ratio (CRAR) of 21.6% as of September 2025.

The company's assets under management (AUM) increased at a compound annual growth rate (CAGR) of 37% during March 2022 to March 2025. FFSL's key loan products include gold loans, medium-ticket loan against property (MT-LAP; average ticket size of Rs. 0.62 crore), small-ticket LAP (ST-LAP; average ticket size of Rs. 0.13 crore), and housing loans. The company has significantly downsized its unsecured business loan segment, which accounted for 15% of the AUM in March 2024. It undertook a 100% assignment and derecognition of the unsecured business loan book in H1 FY2026 in view of the stress witnessed in this segment. FFSL's earnings was impacted in FY2025 due to the stress in the unsecured business loan and ST-LAP segments. It has, however, taken initiatives to address the same, which shall support its earnings going forward. Moreover, FFSL is expected to focus on secured loan products – M-LAP, ST-LAP and gold loans. Its portfolio seasoning is moderate, especially in the long-tenured product segments, namely LAP and housing finance, which accounted for 54.5% of the AUM as of September 2025. FFSL's ability to keep its asset quality under control over the medium term is key from a credit perspective.

Key rating drivers and their description

Credit strengths

Strong parentage with FBL holding 61% stake – FFSL is a subsidiary of FBL, which held a 60.9% stake as of September 2025 (61.0% as of March 2025). The company is expected to remain FBL's subsidiary and shall continue to benefit from managerial, operational and financial support from the bank, when required. FBL's Managing Director (MD) & Chief Executive Officer (CEO) and Executive Director are on FFSL's board. The company has received financial support from the bank in the form of regular capital infusions (Rs. 471 crore since inception). FBL also provides credit lines, with the outstanding debt from it amounting to Rs. 960.2 crore (9.2% of FFSL's borrowings) as of September 2025.

Comfortable capitalisation profile – FFSL's capital profile is comfortable, with a gearing of 3.8 times and a CRAR of 21.6% as of September 2025 (4.1 times and 21.9%, respectively, as of March 2025). Over the last few years, the company has raised equity capital at regular intervals, including the latest infusion via an initial public offering (IPO) in November 2023, which has helped it support its growth plans. ICRA expects FFSL to operate at a leverage of less than 5.0 times over the near-to-medium term.

¹ Managed gearing was 5.5 times as of September 2025 vis-à-vis 5.7 times as of March 2025

Credit challenges

Moderate portfolio seasoning and customer profile – FFSL’s portfolio seasoning is low, especially in the mortgage loans segment, which accounted for 55% of the AUM as of September 2025. The AUM increased at a robust CAGR of 37% over the past three years to Rs. 15,812 crore as of March 2025 and further to Rs. 16,136 crore as of September 2025. Mortgage loans expanded at a CAGR of 40% over the last three years while gold loans rose at a CAGR of 38% during this period, constituting 42% of AUM as of September 2025. The company typically caters to customers with a moderate credit profile, mostly self-employed non-professional borrowers in urban and semi-urban locations. As of September 2025, approximately 9% of the ST-LAP & home loan (HL) portfolio and 3% of the MT-LAP portfolio comprised new-to-credit customers. Additionally, around 67% of the customers in the ST-LAP & HL segment and 80% in the MT-LAP segment possess a credit bureau score of more than 700.

The company is expected to focus on the secured retail segments, viz. mortgage and gold loans, as it stopped disbursing unsecured business loans. It undertook a 100% assignment and derecognition of the unsecured business loan book (Rs. 886 crore) in H1 FY2026 in view of the stress witnessed in this segment. It also sold delinquent loans in its ST-LAP & HL book, amounting to Rs. 79.5 crore, including the written-off book of Rs. 41.0 crore. Consequently, FFSL’s stage 3 provision coverage reduced to 32.0% as of September 2025 from 40.0% as of March 2025 and its overall provision coverage stood at 2.0% of its on-book loan assets as of September 2025 vis-à-vis 2.3% as of March 2025.

Elevated credit costs impacted profitability; expected to improve, going forward – FFSL’s profitability was impacted in FY2025 by the increase in credit costs (in relation to average managed assets) to 1.4% from 0.6% in the previous fiscal. Thus, the return on average managed assets (RoMA) reduced to 1.5% in FY2025 from 2.1% in FY2024. However, credit costs moderated to 0.6% in H1 FY2026 and RoMA consequently improved to 1.8%. Going forward, the company is expected to focus on high-yielding secured loan products and is currently augmenting its collections team for LAP, which shall keep the credit costs under control. This shall be key in the near-to-medium term for supporting its profitability.

Environmental and social risks

Environmental considerations: Given the service-oriented business of FFSL, its direct exposure to environmental risks/material physical climate risks is not significant. Lending institutions are exposed to environmental risks indirectly through their portfolio of assets, though such risks are not material for FFSL as its lending operations primarily encompass gold loans and LAP. There is an increasing interest from policymakers towards identifying the exposure of financing companies to carbon emissions through their financing activities. This process is, however, in an early stage and ICRA expects any adverse implications to manifest only over a longer time horizon, giving financing companies adequate time to adapt and minimise the credit implications.

Social considerations: With regard to social risks, data security and customer privacy are among the key sources of vulnerability for lending institutions as material lapses could be detrimental to their reputation and invite regulatory censure. FFSL has not faced any significant lapses in this regard. It serves the financing needs of a relatively underserved category of borrowers, which supports social inclusion and economic development.

Liquidity position: Strong

The company had on-balance sheet liquidity (cash and bank balance and investments) of about Rs. 1,308 crore and sanctioned and unavailed bank lines of about Rs. 1,000 crore, as on November 30, 2025, compared to principal repayments (including working capital demand loans) of Rs. 1,767 crore falling due in the subsequent three months. In addition, the presence of a sizeable share of the short-term product (gold loan; 42% of AUM as of September 2025) supports the liquidity profile. ICRA notes that FFSL has good financial flexibility as it is a subsidiary of FBL. This, coupled with the high likelihood of support from the parent, augurs well for the company's liquidity profile.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Pressure on the rating could arise in case of a change in the credit profile of the parent or a significant change in the shareholding or a major decline in the linkages with the parent. Pressure will also arise in case of a deterioration in the earnings profile and asset quality on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Rating methodology for non-banking finance companies
Parent/Group support	The rating factors in FFSL's strong parentage, as it is a subsidiary of FBL, and the well-demonstrated track record of support. It considers managerial, operational and financial support from FBL, as evident from the common board members, regular capital infusions, credit lines, business sourcing arrangements and shared brand name
Consolidation/Standalone	Standalone

About the company

Fedbank Financial Services Limited (FFSL) is registered with the Reserve Bank of India (RBI) as a non-deposit taking non-banking financial company (NBFC). It was incorporated in 1995 and received a licence to operate as an NBFC in 2010. FFSL is a subsidiary of Federal Bank Limited (FBL), which had held a 100% stake in the company until FY2018. In FY2019, TrueNorth LLP acquired a 17% stake in FFSL and another 9% (total 26%) in FY2020. The company concluded its IPO and offer for sale (OFS) in November 2023, which resulted in a decline in FBL and TrueNorth LLP's shareholding to 60.9% and 8.6%, respectively, as of September 2025.

The company primarily provides gold loans, LAP and housing loans. As on September 30, 2025, it had a presence in 18 states/Union Territories with a 699-branch network including 543 gold loan branches and 205 micro, small and medium enterprise (MSME) hubs. The AUM stood at Rs. 16,136 crore as on September 30, 2025 (Rs. 15,812 crore as on March 31, 2025).

Key financial indicators

Fedbank Financial Services Limited	FY2024	FY2025	H1 FY2026
	Ind-AS	Ind-AS	Ind-AS
Total income	1,623	2,080	1,054
Profit after tax	245	225	155
Total managed assets	13,507	17,415	17,987
Return on managed assets	2.1%	1.5%	1.8%
Gearing (times)	3.7	4.1	3.8
Managed gearing (times)	4.7	5.7	5.5
Gross stage 3*	1.7%	2.0%	1.9%
CRAR	23.5%	21.9%	21.6%

Source: Company, ICRA Research; Amount in Rs. crore; All ratios as per ICRA's calculations; *Calculated on on-book AUM

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	FY2026		FY2025		FY2024		FY2023		
	Type	Amount rated (Rs. crore)	Dec 22, 2025	Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short term	2,000.00	[ICRA]A1+	Feb 26, 2025	[ICRA]A1+	Feb 26, 2024	[ICRA]A1+	Feb 01, 2023	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Commercial paper	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
INE007N14EE7	Commercial paper	Sep-04-2025	7.30%	Sep-03-2026	150.00	[ICRA]A1+
INE007N14EG2	Commercial paper	Oct-30-2025	7.15%	Jan-29-2026	100.00	[ICRA]A1+
INE007N14EH0	Commercial paper	Nov-20-2025	6.97%	Feb-18-2026	100.00	[ICRA]A1+
INE007N14EI8	Commercial paper	Nov-24-2025	6.97%	Feb-23-2026	60.00	[ICRA]A1+
INE007N14EJ6	Commercial paper	Nov-25-2025	6.97%	Feb-24-2026	150.00	[ICRA]A1+
INE007N14EK4	Commercial paper	Nov-27-2025	6.97%	Feb-26-2026	75.00	[ICRA]A1+
INE007N14EL2	Commercial paper	Nov-28-2025	6.78%	Feb-27-2026	25.00	[ICRA]A1+
INE007N14EM0	Commercial paper	Dec-04-2025	6.78%	Mar-05-2026	100.00	[ICRA]A1+
INE007N14EN8	Commercial paper	Dec-08-2025	6.78%	Mar-09-2026	100.00	[ICRA]A1+
INE007N14EO6	Commercial paper	Dec-18-2025	6.95%	Mar-18-2026	125.00	[ICRA]A1+
Yet to be placed	Commercial paper	NA	NA	NA	1,015.00	[ICRA]A1+

Source: Company; CP data as on Dec 19, 2025

Annexure II: List of entities considered for consolidated analysis

Not applicable

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