February 09, 2026

Electronica Finance Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-convertible debentures (NCDs)	42.00	42.00	[ICRA]A (Stable); reaffirmed
Commercial paper (CP)	25.00	25.00	[ICRA]A1; reaffirmed
Total	**67.00**	**67.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating action factors in Electronica Finance Limited's (Electronica) adequate capitalisation profile with the managed gearing[1] at 4.4 times as on September 30, 2025. The company has plans to raise equity capital in the near term, which is important for its medium-term growth plans, as it envisages to expand its assets under management (AUM) at a compound annual growth rate (CAGR) of 20-25%. The ratings also take into consideration Electronica's established track record of more than three decades in machine financing, which constituted about 70% of the AUM as on September 30, 2025. ICRA notes that the overall asset quality moderated in FY2025 and H1 FY2026 with gross non-performing assets (NPAs) increasing to 3.1% as on September 30, 2025, largely due to the high-yield micro-loan against property segment (micro-LAP; 16% of average ticket size of Rs. 3-4 lakh; 16% of AUM as of September 2025). NPAs in machinery financing, however, remained low at 0.6% as on September 30, 2025 (0.3% and 0.5% in March 2024 and March 2025, respectively). The company has halted disbursements in the micro-LAP segment and is expected to focus on the relatively lower yield and higher ticket sized LAP (affordable LAP; with average ticket size of Rs. 8-10 lakh) segment, going forward. Initiatives have been taken to achieve recoveries from the delinquent micro-LAP book and to keep incremental slippages from this book under control; this remains a key monitorable in the near term.

The ratings also factor in the company's moderate earnings profile on account of higher operating expenses, reduction in interest margins and increase in credit costs. Electronica's ability to improve its margin and operating efficiency, considering the shift to higher-ticket LAP and increased focus on machine financing, while keeping its credit costs under control shall be key for improving its earnings performance. The ratings continue to consider the inherent risks associated with lending to small and medium-sized industrial units that are susceptible to economic shocks.

The Stable outlook on the rating reflects ICRA's expectation that the company will continue to benefit from its experience in the machine financing business and its adequate capitalisation profile.

Key rating drivers and their description

Credit strengths

Adequate capitalisation profile – Electronica's capitalisation profile is adequate with a managed gearing of 4.4 times as on September 30, 2025. The company's capital adequacy ratio of 20.8% was well above the regulatory requirement of 15%. It raised ~Rs. 373-crore capital in the form of equity and compulsorily convertible preference shares (CCPS) in FY2025, followed

[1] *Managed gearing = (On-book debt + Off-book portfolio)/Net worth*

by ~Rs. 27 crore in YTD FY2026, which has supported its capitalisation profile. In ICRA's opinion, the company shall continue requiring regular capital infusion(s) to support its medium-term growth plans. ICRA takes note of Electronica's plans to raise equity capital in the near term, which shall support its growth plans while maintaining a prudent capitalisation profile.

Established track record of operations and healthy asset quality in asset finance – Since starting machine financing in 1990, Electronica benefited from critical know-how of machine usage and resale by leveraging the operational and management experience of its promoter group entities. With over 30 years of experience, the company has expanded its portfolio consistently (5-year CAGR of ~25% till March 31, 2025), even amid Covid-19 pandemic-related challenges, reaching an AUM of Rs. 5,076 crore as on September 30, 2025 across 15 states/Union Territories (UTs). ICRA expects Electronica to expand its AUM at a CAGR of 20-25% over the near-to-medium term with focus on the machine financing segment.

Besides machinery financing, Electronica has expanded its product offerings to include LAP and rooftop solar loans in recent years. Nonetheless, machine financing continues to be the dominant product offering of the company (70% of AUM as on September 30, 2025), wherein it continues to demonstrate healthy asset quality. While its overall asset quality moderated in FY2025 and H1 FY2026, NPAs in machinery financing remained low at 0.6% as on September 30, 2025. ICRA draws comfort from Electronica's established track record in the asset financing business with demonstrated ability to manage the asset quality over cycles.

Credit challenges

Moderate earnings profile – Electronica's earnings profile remains moderate with a net profit of Rs. 22 crore in H1 FY2026, translating to an annualised return of 0.8% on average managed assets (AMA) and 4.8% on average net worth (Rs. 47 crore, 1.1% and 7.5%, respectively in FY2025). Given the stress observed in the relatively higher-yielding micro-LAP segment, the company's credit costs inched up to 1.2% of AMA in H1 FY2026 from 0.9% in FY2025. Further, the net interest margin has been moderating from FY2025 with the halting of disbursements in this segment. Consequently, the company's profitability remained under pressure and ICRA expects the overall profitability to remain subdued in the near term. In ICRA's opinion, Electronica's ability to improve its margins and operating efficiency while keeping the credit costs under control, as it further scales up its portfolio, will be important from an earnings perspective.

Modest credit profile of target customer segment; weakening of asset quality in micro-LAP – Electronica's portfolio is prone to asset quality challenges on account of lending to small and medium-sized industrial units that are susceptible to economic shocks. With prudent underwriting norms and experience in the machine financing segment, which accounts for the majority of its AUM, the company has been able to navigate through various macroeconomic events in the past. Electronica's appraisal and risk management framework for this segment includes multiple site visits, know your customer (KYC) verification, credit bureau checks and financial due diligence, wherein the focus remains on assessing the debt repaying ability of the borrower based on their existing scale of business. While relationship managers remain responsible for the respective accounts, the company has a separate collection team for follow-ups/personal visits in case of delays. These helped in keeping the asset quality of machine financing under control.

The company, however, reported a moderation in its overall asset quality indicators with gross NPAs increasing to 3.1% as of September 2025 (2.0% as of March 2025) from 1.4% as of March 2024, largely due to challenges in the micro-LAP segment. The 90+ days past due (dpd) in this segment increased to 11.8% in September 2025 from 6.8% in March 2025 (4.0% in March 2024). The company has halted disbursements in this segment, moderating its share in AUM to 16% as of September 2025 from the peak of 19% in June 2024. ICRA takes note of the corrective actions being taken by Electronica to control slippages and achieve recoveries from delinquent accounts, with the results of the same remaining monitorable.

Liquidity position: Strong

Electronica has a strong liquidity profile given the on-book liquidity of Rs. 538 crore as on September 30, 2025, expected inflows from advances and the availability of sanctioned unutilised lines. The company endeavours to maintain on-book liquidity sufficient to meet at least three months of its debt obligations. As per the structural liquidity statement as on September 30,

2025, the company had scheduled inflows from advances of Rs. 1,049 crore against scheduled outflows pertaining to debt repayments of Rs. 960 crore till September 30, 2026. Further, it had sanctioned but unutilised term loans and working capital lines of Rs. 370 crore as on September 30, 2025. Additionally, Electronica had Rs. 200 crore of direct assignment and co-lending lines as on September 30, 2025. The funding profile is fairly diversified and the company maintains a healthy debt pipeline, comprising sanctions for term loans, direct assignment and co-lending arrangements to support its operations.

Rating sensitivities

Positive factors – A sustainable increase in the scale of operations and improvement in the earnings profile, while keeping the asset quality and capitalisation at prudent levels, could positively impact the ratings.

Negative factors – A significant deterioration in the asset quality or weakening of the capitalisation profile, with the managed gearing exceeding 5.5 times on a sustained basis, could exert pressure on the ratings.

Analytical approach

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

About the company

Electronica Finance Limited, erstwhile Electronica Leasing and Finance Limited, is a non-banking financial company (NBFC) incorporated in 1990 and is a part of SRP Electronica Group. At present, Electronica provides financial assistance in the form of loans to small and medium-sized industrial units (mostly tier II, tier III and tier IV ancillary units) serving multiple sectors such as engineering, metal cutting and forming, auto ancillary, plastic, printing, textiles, woodwork, packaging, and other manufacturing industries. The company reported an AUM of Rs. 5,076 crore as on September 30, 2025 (Rs. 4,933 crore as on June 30, 2025; Rs. 4,834 crore as on March 31, 2025) spread across 15 states/Union Territories.

SRP Electronica Group is a manufacturing company started by a group of first-generation technocrats. Given its manufacturing background and understanding of machines and engineering equipment, Electronica had a leverage in commencing machine financing operations. It also started providing other innovative services like doorstep finance and assessment-based financing. Subsequently, it started offering machine financing to other manufacturers in the machine tool as well as other industries. Electronica's products, services and last-mile connectivity were also recognised by Small Industries Development Bank of India (SIDBI), which resulted in a partnership of more than 15 years.

Key financial indicators (audited)

Electronica Finance Limited	FY2024	FY2025	H1 FY2026*
Total income	525	583	322
PAT	64	47	22
Total managed assets	3,577	4,830	5,252
Return on managed assets	2.0%	1.1%	0.8%
Managed gearing (times)	6.5	4.2	4.4
Gross NPA	1.4%	2.0%	3.1%
CRAR	18.3%	24.8%	20.8%

*Source: Company, ICRA Research; * Provisional numbers; 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

Current (FY2026)				Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Feb-09-2026	Date	Rating	Date	Rating	Date	Rating
NCD programme	Long term	-	-	Oct-07-2024	[ICRA]A (Stable); withdrawn	Sep-26-2023	[ICRA]A- (Stable)	Sep-27-2022	[ICRA]A- (Stable)
				Sep-16-2024	[ICRA]A (Stable)	-	-	-	-
NCD programme	Long term	42	[ICRA]A (Stable)	Mar-17-2025	[ICRA]A (Stable)	-	-	-	-
				Oct-07-2024	[ICRA]A (Stable)	-	-	-	-
CP	Short term	25	[ICRA]A1	Mar-17-2025	[ICRA]A1	-	-	-	-
Subordinated debt	Long term	-	-	-	-	-	-	Sep-27-2022	[ICRA]A- (Stable); withdrawn

Complexity level of the rated instruments

Instrument	Complexity indicator
NCD programme	Simple
CP programme	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
INE612U07134	**NCD**	October 17, 2024	10.45%	October 17, 2030	41.84	[ICRA]A (Stable)
To be placed	**NCD**	NA	NA	NA	0.16	[ICRA]A (Stable)
To be placed	**CP**	NA	NA	NA	25.00	[ICRA]A1

Annexure II: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

A M Karthik
+91 44 4596 4308
a.karthik@icraindia.com

Prateek Mittal
+91 33 6521 6812
prateek.mittal@icraindia.com

Siddharth Panda
+91 22 61143445
siddharth.panda@icraindia.com

Arpit Agarwal
+91 124 4545 873
arpit.agarwal@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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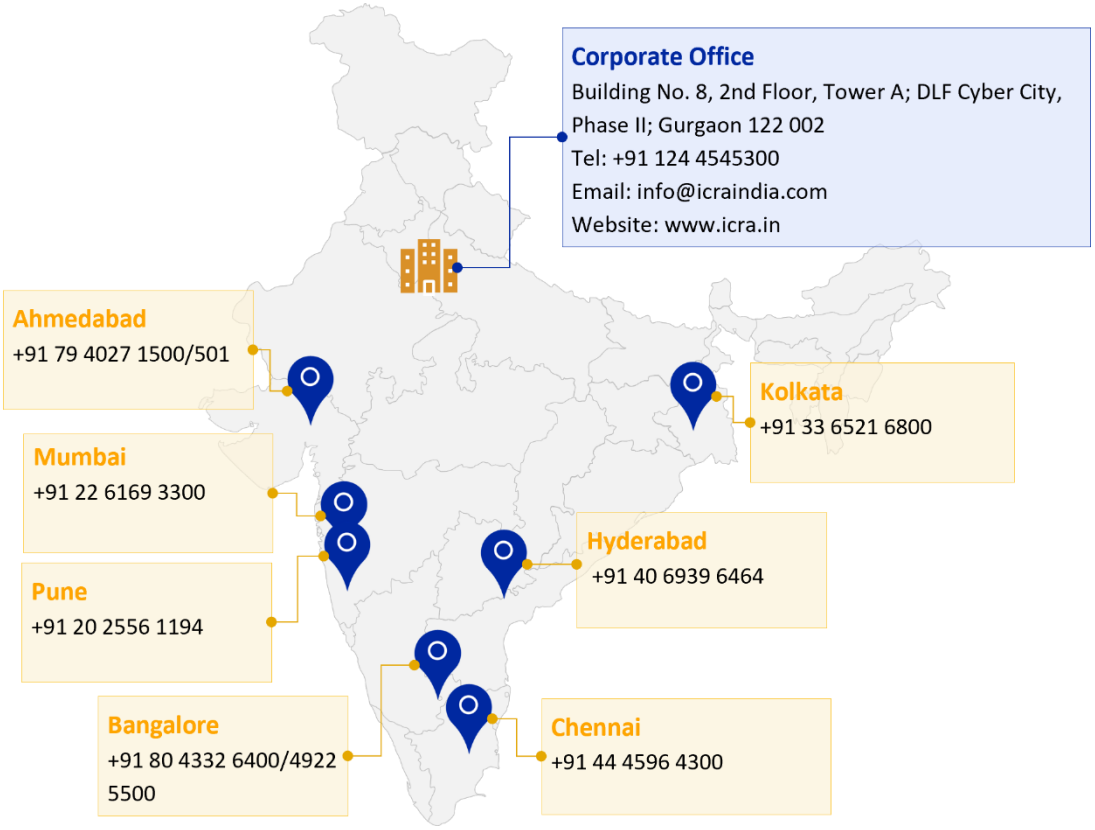
For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



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