

March 16, 2026

Fedbank Financial Services Limited: [ICRA]AA+ (Stable) assigned; rating reaffirmed and rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Subordinated debt	0.00	750.00	[ICRA]AA+ (Stable); assigned
Commercial paper	2,000.00	2,500.00	[ICRA]A1+; reaffirmed/assigned for enhanced amount
Total	2,000.00	3,250.00	

*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 60.8% stake. 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. The ratings consider FFSL's comfortable capitalisation profile with a gearing¹ of 4.0 times and a capital-to-risk weighted assets ratio (CRAR) of 20.5% as of December 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. 0.65 crore), small-ticket LAP (ST-LAP; average ticket size of Rs. 0.15 crore), and home loans (HLs). 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 9M 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. FFSL is expected to focus on secured loan products – MT-LAP, ST-LAP and gold loans. The company's portfolio seasoning is moderate, especially in the long-tenured product segments, namely LAP and HLs, which accounted for 51.9% of the AUM as of December 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% – FFSL is a subsidiary of FBL, which had a 60.8% stake as of December 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 outstanding debt from the same amounting to Rs. 1,175.8 crore (10% of FFSL's borrowings) as of January 2026.

Comfortable capitalisation profile – FFSL's capital profile is comfortable, with a gearing of 4.0 times and CRAR of 20.5% as of December 2025 (4.1 times and 21.9%, respectively, as of March 2025). Over the last few years, the company has raised equity

¹ Managed gearing was 5.7 times as of September 2025 as well as March 2025

capital at regular intervals, including the latest infusion via an initial public offering (IPO) in November 2023, which has helped support its growth plans. ICRA projects FFSL's leverage to remain at comfortable levels².

Credit challenges

Moderate portfolio seasoning and customer profile – FFSL's portfolio seasoning is low, especially in the mortgage loans segment, which accounted for about 52% of the AUM as of December 2025. The overall 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. 17,500 crore as of December 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 45% of AUM as of December 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 December 2025, approximately 9% of the ST-LAP & 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 81% in the MT-LAP segment had 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. 976 crore) in 9M FY2026 in view of the stress witnessed in this segment. It also sold delinquent loans in its ST-LAP & HL portfolios, 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 32.3% as of December 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 December 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 9M 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 its LAP portfolio, 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. 1,067 crore and sanctioned and unavailed bank lines of about Rs. 1,937 crore, as on January 31, 2026, compared to principal repayments (including working capital demand loans) of Rs. 2,526 crore falling due in the subsequent three months. In addition, the presence of a sizeable

² ICRA estimates managed gearing of 6.5 times in the near term

share of short-term assets (gold loans; 45% of AUM as of December 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 – The long-term rating could be positively impacted in case of an improvement in FBL's credit risk profile. A substantial increase in FFSL's scale of operations from the current level and a sustained improvement in its asset quality and earnings performance while maintaining adequate capital buffers shall also positively impact the long-term rating.

Negative factors – Pressure on the ratings 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 ratings factor 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 HLs. As on December 31, 2025, it had a presence in 18 states/Union Territories with a 730-branch network including 594 gold loan branches and 199 micro, small and medium enterprise (MSME) hubs. The AUM stood at Rs. 17,500 crore as on December 31, 2025 (Rs. 15,812 crore as on March 31, 2025).

Key financial indicators

Fedbank Financial Services Limited	FY2024	FY2025	9M FY2026
	Ind-AS	Ind-AS	Ind-AS
Total income	1,623	2,080	1,610
Profit after tax	245	225	243
Total managed assets	13,507	17,415	19,314
Return on managed assets	2.1%	1.5%	1.8%
Gearing (times)	3.7	4.1	4.0
Managed gearing (times)	4.7	5.7	5.7
Gross stage 3*	1.7%	2.0%	2.1%
CRAR	23.5%	21.9%	20.5%

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 rating (FY2026)					Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Mar 16, 2026	FY2026		FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short term	2,500.00	[ICRA]A1+	Dec 22, 2025	[ICRA] A1+	Feb 26, 2025	[ICRA] A1+	Feb 26, 2024	[ICRA] A1+	Feb 01, 2023	[ICRA] A1+
Subordinated debt	Long term	750.00	[ICRA]AA+ (Stable)	-	-	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Commercial paper	Simple
Subordinated debt	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+
INE007N14EO6	Commercial paper	Dec-18-2025	6.95%	Mar-18-2026	125.00	[ICRA]A1+
INE007N14EQ1	Commercial paper	20-Feb-26	7.72%	18-Feb-27	100.00	[ICRA]A1+
INE007N14EQ1	Commercial paper	23-Feb-26	7.72%	18-Feb-27	100.00	[ICRA]A1+
INE007N14ES7	Commercial paper	25-Feb-26	7.80%	25-Feb-27	100.00	[ICRA]A1+
INE007N14ET5	Commercial paper	25-Feb-26	7.80%	22-Feb-27	100.00	[ICRA]A1+
INE007N14ER9	Commercial paper	25-Feb-26	7.69%	26-May-26	150.00	[ICRA]A1+
INE007N14EU3	Commercial paper	27-Feb-26	7.82%	29-Jan-27	100.00	[ICRA]A1+
INE007N14EW9	Commercial paper	02-Mar-26	7.82%	02-Mar-27	75.00	[ICRA]A1+
INE007N14EV1	Commercial paper	02-Mar-26	7.82%	22-Jan-27	125.00	[ICRA]A1+
INE007N14EX7	Commercial paper	06-Mar-26	7.82%	05-Mar-27	100.00	[ICRA]A1+
INE007N14EY5	Commercial paper	12-Mar-26	7.70%	13-Jul-26	100.00	[ICRA]A1+
INE007N14EZ2	Commercial paper	12-Mar-26	7.82%	28-Jan-27	25.00	[ICRA]A1+
Yet to be placed	Commercial paper	NA	NA	NA	1,150.00	[ICRA]A1+
Yet to be placed	Subordinated debt	NA	NA	NA	750.00	[ICRA]AA+ (Stable)

Source: Company; CP data as on March 13, 2026

Annexure II: List of entities considered for consolidated analysis

Not applicable

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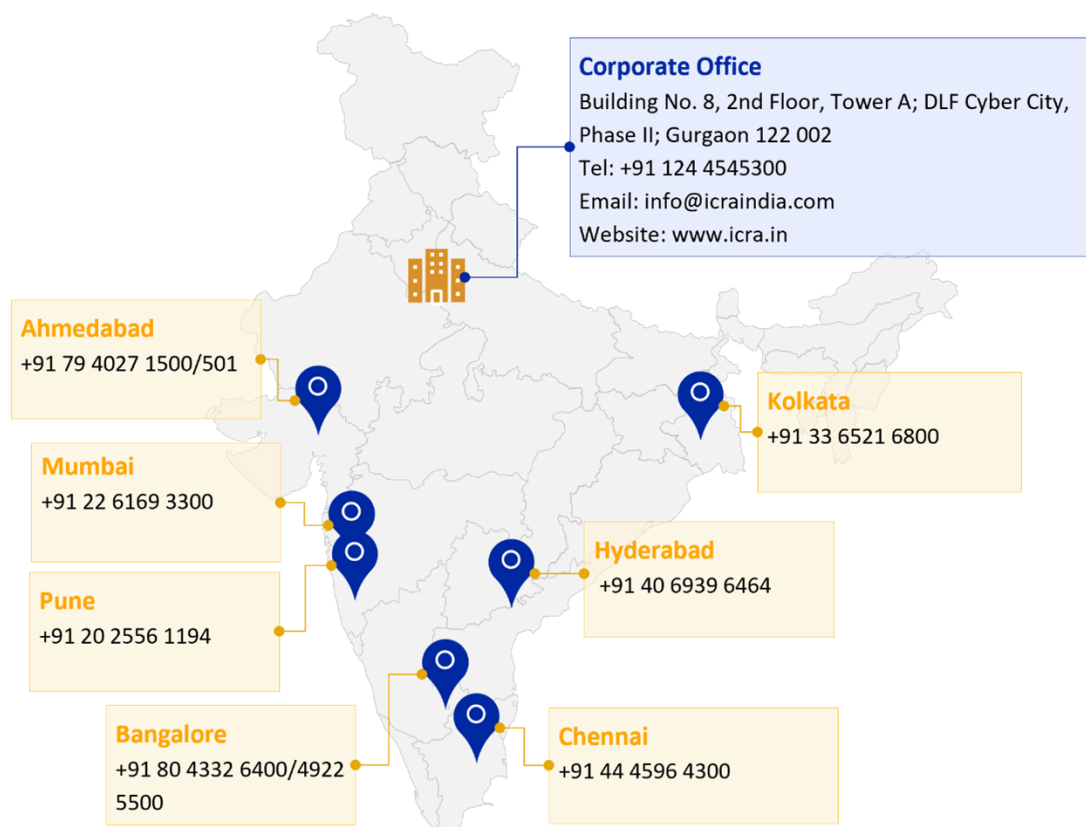


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