August 05, 2026

Belstar Microfinance Limited: [ICRA]AA (Stable) assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Non-convertible debenture	500.00	[ICRA]AA (Stable); assigned	SEBI
Total	**500.00**		

**Instrument details are provided in Annexure I*

 # The Securities and Exchange Board of India's (SEBI) grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments that fall under the regulatory purview of financial sector regulators (FSRs) other than SEBI

Rationale

The rating assigned to Belstar Microfinance Limited (Belstar) factors in the financial, managerial and operational support from its parent, Muthoot Finance Limited (MFL; rated [ICRA]AA+ (Stable)/[ICRA]A1+), which held a majority stake of 66.13% in the company as of March 2026. MFL is expected to continue extending board-level oversight and timely financial support, as required, given Belstar's strategic importance to the consolidated business. The rating also considers Belstar's adequate capitalisation profile, with a managed gearing of 3.8 times as of March 2026.

The rating is constrained by Belstar's geographically concentrated operations and the vulnerability of its asset quality and profitability metrics to the risks associated with the microfinance sector. The company's asset quality was significantly impacted during FY2025-FY2026 by the challenging operating environment in the microfinance sector. It, therefore, recorded high write-offs of Rs. 1,376.9 crore (17.3% of assets under management (AUM) as of March 2024) during FY2025-Q1 FY2027. However, it implemented the guardrails for microfinance lenders during FY2025-FY2026. Consequently, ICRA anticipates a sequential improvement in the overall asset quality performance, going forward, though risks inherent to the microfinance sector would continue to have a bearing on the same.

Elevated credit costs and higher operating expenses impacted profitability in FY2026, resulting in a return on average managed assets (RoMA) of 0.3%. The company's operating expenses would remain high in the near term due to its expansion plans for the gold loan segment. Nevertheless, given the expected improvement in credit costs in the microfinance business, ICRA expects Belstar's profitability to improve, going forward.

The Stable outlook reflects ICRA's expectation that Belstar's credit profile would continue to benefit from its strong parentage and the support received from MFL along with its adequate capital profile.

Key rating drivers and their description

Credit strengths

Strong parentage – MFL, one of India's leading gold loan-focussed non-banking financial companies (NBFCs), acquired Belstar in 2017, making the company its subsidiary (66.13% stake as of March 2026). It is strategically important to MFL as it provides diversification to the MFL Group's product portfolio through its microfinance operations. ICRA expects the parent to maintain its majority ownership in the company, going forward, and extend timely financial support, if required. MFL has infused capital regularly in the past, including Rs. 300 crore in March 2024 (Rs. 28.0 crore in March 2022 and a total of Rs. 183.8 crore in earlier years).

MFL has representation on Belstar's board through three nominee directors, reflecting its involvement in the company's governance, operations, and strategic direction. Further, ICRA takes note of Belstar's recent diversification into the gold loan segment, with guidance from MFL, which has a strong track record in this segment. Overall, ICRA expects Belstar to continue benefiting from the managerial, financial and governance support of the parent on an ongoing basis as well as in case of any contingencies.

Adequate capitalisation profile to support medium-term growth – Belstar's capitalisation profile remains adequate, supported by regular capital support from its parent – MFL, and external equity investors in the past. The last round of capital raise was in FY2024, when the company received Rs. 300 crore from MFL. Belstar has raised Rs. 955.0 crore over the past 10 years. Its capital-to-risk weighted assets ratio (CRAR) stood at 23.5% as of March 2026 (25% as of March 2025) while its managed gearing was 3.8 times vis-à-vis 3.7 times during this period. The capitalisation profile is expected to remain adequate for the company's growth plans over the medium term, with the managed gearing projected to remain below 6.0 times. Further, given Belstar's strategic importance to MFL, it is expected to receive timely capital support, if required, to maintain its capitalisation and support business growth.

Credit challenges

Geographically concentrated loan book – Belstar's portfolio remains geographically concentrated, with Tamil Nadu accounting for 42.5% of the AUM as of March 2026. While the share has reduced gradually from historical levels, the company continues to have relatively high concentration in a few states and districts, exposing it to state-specific and local socio-political risks inherent in the microfinance business. The top 5 and top 10 districts accounted for 18.3% and 35.6% of the AUM, respectively, as of March 2026.

Risks associated with microfinance business – The rating factors in the risks associated with the marginal borrower profile and unsecured lending as well as the social and political risks. These risks were evident over the last two years, when the microfinance industry faced significant asset quality stress. Further, the associated social risks were evident with states such as Karnataka enacting specific laws relating to the practices in the industry.

Over the last two years, Belstar's asset quality was under stress, reflecting the challenging operating environment for the microfinance sector. In response, the company had slowed down its disbursements significantly during this period. Thus, its AUM declined significantly to Rs. 7,969.5 crore as of March 2025 from Rs. 10,022.7 crore as of March 2024, before recovering slightly to Rs. 8,222.1 crore as of March 2026. Further, the 0+ days past due (dpd) delinquencies had increased to 11.6% as of March 2025 from 4.4% as of March 2024, before recovering to 8.8% as of March 2026 (6.9% as of June 2026). Belstar's gross stage 3 stood at 5.5% and 2.9%, respectively, as of March 2026 and June 2026. The improvement in delinquencies in recent quarters was supported by a combination of write-offs and recoveries from the stressed book, while new disbursements have shown better performance. Belstar recorded write-offs of Rs. 1,376.9 crore (17.3% of AUM as of March 2024) during FY2025-Q1 FY2027. It, however, maintained a prudent stage 3 provision coverage of 98% and 97.5% as of March 2026 and June 2026, respectively.

The company implemented the guardrails for microfinance lenders during FY2025-FY2026. The current bucket collection efficiency improved to a healthy 99.8% in Q4 FY2026 from the level of 98-99% seen in FY2025. Consequently, ICRA anticipates near-term slippages to be significantly lower than previous years. Going forward, the company's ability to onboard borrowers with a good credit history, recruit and retain employees, and improve its geographical diversification would be key for it to sustainably manage these risks.

ICRA also notes that Belstar has started scaling up its gold loan portfolio, which accounted for 1.9% of the on-book portfolio as of March 2026, and is expected to increase to 12-13% by March 2027. The increasing share of the secured gold loan portfolio is expected to provide diversification benefits and support the overall asset quality profile over the medium term.

Asset quality stress impacted earnings in FY2025 and FY2026; improvement witnessed in recent quarters – Over the past two years, asset quality stress led to elevated credit costs for the company. Credit costs (as a percentage of average managed assets) rose to 7.9% and 5.5% in FY2025 and FY2026, respectively, from 3.2% in FY2024. To manage the same, the company had to strengthen its collections team, leading to an increase in its operating costs. Further, expenses for branch expansion in the gold loan segment added pressure to Belstar's operating efficiency. Consequently, operating costs (as a percentage of average managed assets) were elevated at 5.6% and 7.3% in FY2025 and FY2026, respectively, vis-à-vis 5.0% in FY2024. Overall, these factors impacted the company's profitability during this period, with the profit after tax (PAT) and the return on managed assets (RoMA) declining to Rs. 24.7 crore and 0.3%, respectively, in FY2026 and Rs. 46.4 crore and 0.5%, respectively, in FY2025 from Rs. 339.9 crore and 3.6%, respectively, in FY2024. Profitability, however, improved in Q1 FY2027, with PAT increasing to Rs. 66.1 crore and RoMA to 3.1% due to the moderation in the asset quality stress. Nevertheless, ICRA notes that the company's operating expenses are likely to remain elevated in the near term as it continues to expand in the gold loan segment. The impact of the same on near-term profitability would be monitorable.

Liquidity position: Adequate

The asset-liability management (ALM) profile is adequate, with cumulative positive mismatches across all buckets up to one year as of March 2026. The company had cash and liquid investments of Rs. 587.3 crore and undrawn sanctioned lines of Rs. 1,898.2 crore as on March 31, 2026. In addition, scheduled average monthly collections of Rs. 688.8 crore provide sufficient coverage to meet debt obligations of Rs. 1,337.4 crore over the next three months. Further, ICRA expects timely support from MFL, as and when required.

Rating sensitivities

Positive factors – An improvement in the parent's credit profile or better brand association and strategic integration with the parent could have a positive bearing on the rating. Sustained healthy earnings and asset quality performance can also positively support the rating.

Negative factors – Lower-than-expected support from the parent and/or a deterioration in the credit profile of the parent could exert pressure on Belstar's rating. Sustained weakening in Belstar's capital profile can also negatively impact the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Rating methodology for non-banking finance companies (NBFCs)
Parent/Group support	Parent/investor: MFL; ICRA factors in financial, managerial and operational support from the parent, given the strategic importance to the parent
Consolidation/Standalone	Standalone

About the company

Belstar Microfinance Limited (Belstar) was incorporated in January 1988 in Bengaluru. The company was registered as an NBFC with the Reserve Bank of India (RBI) in March 2001 and later as an NBFC-microfinance institution (NBFC-MFI) in December 2013. Belstar was acquired by the Hand in Hand India (HIHI) Group in September 2008 to provide microfinance services to the members of the HIHI self-help group (SHG) programme. HIHI is a non-governmental organisation (NGO) promoted by Dr. Kalpana Sankar in 2002 as a public charitable trust based in Tamil Nadu. During FY2008 to FY2013, Belstar primarily relied on HIHI for client acquisition, and later began to form its own groups (largely joint liability groups, JLG) and branches.

Belstar was acquired by MFL in FY2017, which currently holds a 66.13% stake in the company. It was renamed Belstar Microfinance Limited and converted into a public limited company with effect from January 2020. As of March 2026, MFL held 66.13%, followed by the promoter and promoter group, Maj Invest Financial Inclusion Fund II K/S, Arum Holdings Ltd and Augusta Investments Zero Pte Ltd at 7.17%, 8.74%, 13.94% and 4.02%, respectively.

Key financial indicators

Belstar Microfinance Limited	FY2025	FY2026	Q1 FY2027
Total income	2,125.0	1,829.0	431.6
PAT	46.4	24.7	66.1
Total managed assets	8,972.5	9,254.9	8,648.4
Return on managed assets	0.5%	0.3%	3.0%
Managed gearing (times)	3.7	3.8	3.4
Gross stage 3	5.0%	5.5%	2.9%
CRAR	25.0%	23.5%	24.5%

Source: Company, ICRA Research; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current rating (FY2027)			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Aug 05, 2026	Date	Rating	Date	Rating	Date	Rating
Non-convertible debenture	Long term	500	[ICRA]AA (Stable)	-	-	-	-	-	-
Subordinated bonds/Debt	Long term			-	-	-	-	Jul 21, 2023	[ICRA]AA- (Stable)
				-	-	-	-	Oct 05, 2023	[ICRA]AA- (Stable); withdrawn

Complexity level of the rated instruments

Instrument	Complexity indicator
NCD	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/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook	Financial sector regulator#
Yet to be placed	**NCD**	NA	NA	NA	500.00	[ICRA]AA (Stable)	SEBI

Source: Company

 # SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments that fall under the regulatory purview of FSRs other than SEBI

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

R Srinivasan
+91 44 4596 4315
r.srinivasan@icraindia.com

Vansh Madaan
+91 44 4596 4309
vansh.madaan@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

ABOUT ICRA LIMITED

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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

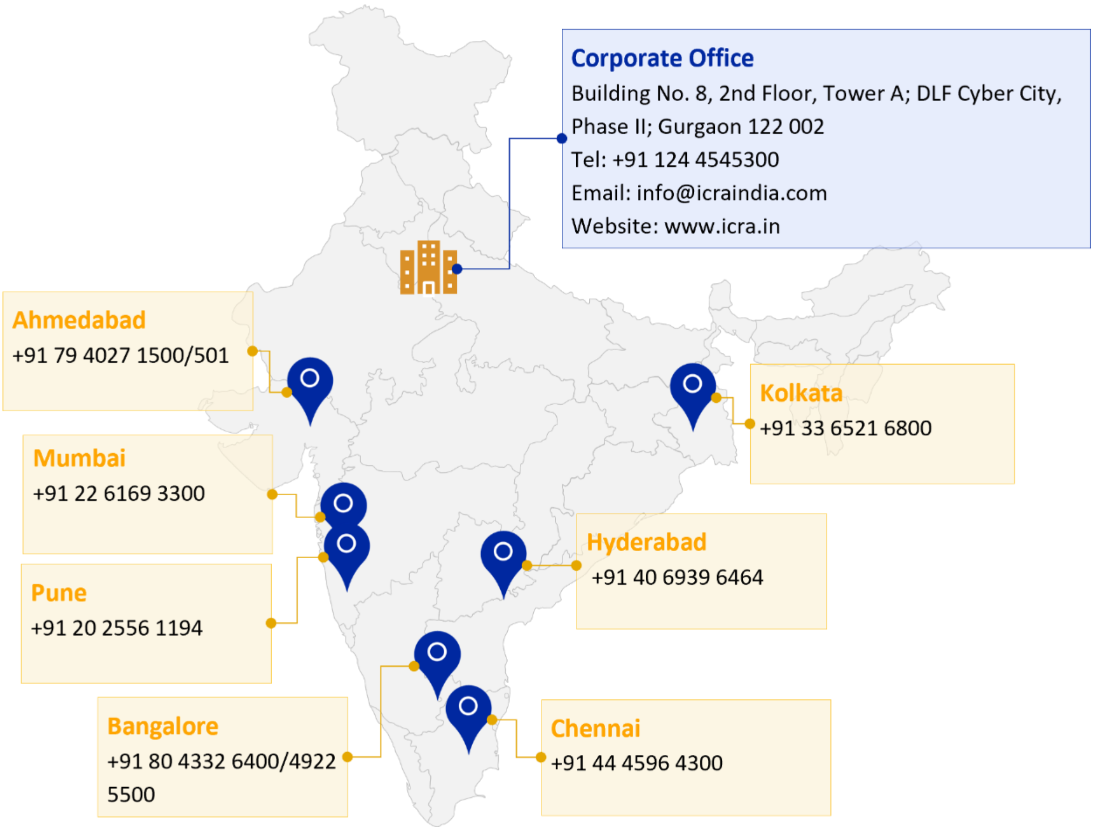
For more information, visit www.icra.in

ICRA Limited

Registered Office

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

Branches



ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.