August 18, 2026

Vistaar Financial Services Pvt Ltd: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
NCD	105.0	105.0	[ICRA]A+ (Stable); reaffirmed	SEBI
	100.0	0.0	[ICRA]A+ (Stable); reaffirmed and withdrawn	
Long term fund based – Term loan	2,061.0	2,061.0	[ICRA]A+ (Stable); reaffirmed	RBI
Short term fund based – Overdraft	39.0	39.0	[ICRA]A1+; reaffirmed	RBI
Total	**2,305.0**	**2,205.0**		

**Instrument details are provided in Annexure I*

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

Rationale

The ratings reaffirmation factors in the comfortable capital profile of Vistaar Financial Services Private Limited (VFSPL), its experience in the small business lending segment and healthy profitability metrics. The company has a track record of almost 15 years in the small business loan segment with its assets under management (AUM) increasing at a compound annual growth rate (CAGR) of 21.7% during FY2021-FY2026. However, the company had slowed down its AUM growth in FY2026 to 12% , in view of the macro environment impacting the asset quality performance. As of June 2026, VFSPL's AUM stood at Rs. 5,670 crore. The company's leverage remains comfortable, with a managed gearing of 1.2 times as of March 2026 (1.4 times as of March 2025), supported by the Rs. 870-crore equity infusion in the previous round of capital raise during Q4 FY2025-Q1 FY2026. ICRA expects the strengthened capital profile to support the envisaged AUM growth over the medium term.

The ratings consider the recent pressure on the company's asset quality; its 0+ days past due (dpd) rose to 10.1% as of June 2026 (8.7% as of March 2026) from 7.8% as of March 2025 while the 30+ dpd increased to 6.5% (5.4% as of March 2026) from 5.4% during this period. VFSPL's gross stage 3 (GS3) also witnessed an uptick in Q1 FY2027 to 3.5% as of June 2026 from 2.9% as of March 2026 (3.1% as of March 2025). The company undertook sale of stressed assets to asset reconstruction company to enable the use of SARFAESI Act to increase the pace of recoveries (Cash deal – 53.72 crore, investment is security receipts – 202.01 crore, totalling to about Rs. 256 crore of principle outstanding) in FY2026.

ICRA anticipates a gradual recovery in the company's asset quality performance in the near term, supported by the steps taken by it over the last two years, including the tightening of credit policies and strengthening of collection processes and teams. Correspondingly, credit costs, which were elevated at 2.1% in FY2026 and 2.0% in Q1 FY2027 (increasing from 1.5% in FY2025), are expected to improve sequentially, going forward. The fructification of the same would be a key monitorable from a rating perspective. ICRA notes that the company has continued to maintain a healthy earnings performance, notwithstanding the spike in credit costs in FY2026. ICRA also takes note of the increasing share of loans disbursed at higher yields; as of March 2026, about 48% of AUM were at lending rates of greater than 19%. VFSPL's earnings profile was healthy with its net profitability stood at 4.7% in FY2026 (4.1% in FY2025), supported by the reduction in the debt level post the equity raise in early 2025, rangebound operating expenses and moderate growth.

ICRA has withdrawn the long-term rating on the Rs. 100.0 crore NCD in accordance with its policy on the withdrawal of credit ratings as the instrument has matured and fully repaid.

The Stable outlook reflects ICRA's opinion that the sizeable capital buffers and healthy profitability levels would protect VFSPL's credit profile, notwithstanding the near-term pressure on its asset quality.

Key rating drivers and their description

Credit strengths

Experience in small business loan segment – VFSPL commenced operations in 2010. Its target customers include small businesses such as shops, small manufacturing units, power looms, kirana/general shops, and home-based industries, which do not have access to organised funding to grow. It follows a cluster-based approach with branches in areas with a high concentration of small businesses/micro enterprises. The company's growth and asset quality were impacted after demonetisation, especially in the small-ticket hypothecation loan segment (non-mortgage-backed credit) and the dairy & allied segments. Consequently, VFSPL revised its product mix and has been focussing on mortgage-backed credit products in recent years. It offers loans under three products categories — Saral, Sampatti, and Vyapaar. Under Saral, the company offers small-ticket loans (up to Rs. 20 lakh) while higher-ticket loans (Rs. 20 lakh – Rs. 1 crore) are offered under Vyapaar. Sampatti is a housing loan product for micro, small and medium enterprise (MSME) customers with ticket sizes in the range of Rs. 3 lakh – Rs. 1 crore. VFSPL initiated its diversification plan in FY2026 to expand into the gold loan segment as well. While this segment is still in a nascent stage, the company expects to start 30-35 gold loan-enabled branches in FY2027, supporting AUM growth in this segment as well, going forward.

Comfortable capital structure – VFSPL raised sizeable equity capital of Rs. 870 crore (Rs. 840 crore in Q4 FY2025 and Rs. 30 crore in Q1 FY2026) from new investors including India Business Excellence Fund, IMP2 Catalyst Pte Ltd, Faering Capital Growth Fund III, Faering Capital International Growth Fund III and Pravaah Investments. Warburg Pincus (through its investment vehicle, Aqua Lagoon Investment Limited) remains the majority shareholder after these transactions with a stake of 70.1% as of March 2026 (77.8% in March 2025). Following the equity raise, VFSPL's capitalisation profile has been strengthened, with the managed gearing improving to 1.2 times as of March 2026 (1.4 times as of March 2025) from 2.3 times as of March 2024. Its capital-to-risk weighted assets ratio (CRAR) stood at 51.4% as of March 2026. Considering the company's envisaged growth plans, further capital infusions would not be required in the near term. ICRA derives comfort from the management's plan to maintain a prudent capitalisation level, with the managed gearing not exceeding 4.0 times over the medium term.

Healthy earnings performance – VFSPL's interest margins witnessed a healthy improvement in FY2026, supported by the capital raise. Following the capital raise, the company renegotiated rates with its lenders, paring down high-cost borrowings. Further, operating expenses remained stable at 4.5% of average managed assets (AMA) in FY2026 as well as FY2025, notwithstanding the expansion in the collections team, supported by efficiency improvement measures. This helped the company expand its pre-provision operating profit to 8.0% in FY2026 from 6.7% in FY2025 (5.2% in FY2024). VFSPL undertook sale of stressed assets to an ARC of upto 256 crores. Overall, the credit costs increased to 2.1% in FY2026 from 1.5% of AMA in FY2025 (0.7% in FY2024) and remained elevated at 2.0% in Q1 FY2027, though it is expected to gradually improve in subsequent quarters. Nevertheless, VFSPL's net profitability (return on managed assets; RoMA) remained healthy at 4.7% in FY2026 (3.9% in Q1 FY2027) vis-à-vis 4.1% in FY2025. Going forward, managing overdues and credit costs shall be key from a profitability perspective.

Credit challenges

Scale remains moderate subdued growth in FY2026; regionally concentrated operations – VFSPL's AUM had increased at a CAGR of 21.7% during FY2021-FY2026. Nonetheless, its scale is moderate with AUM of Rs. 5,512 crore as of March 2026 (Rs. 4,930 crore as of March 2025). ICRA notes that the company had slowed down its AUM growth in FY2026 to 12% in view of the macro factors affecting the asset quality performance. However, ICRA expects AUM growth to recover in FY2027 and expand at a CAGR of about 25% over the medium term. As of March 2026, VFSPL's portfolio was largely concentrated in Tamil Nadu (33%), Karnataka (20%), Andhra Pradesh (17%) and Telangana (6%). While expansion to new states has improved its geographical diversity, the top 3 states continued to account for about 70% (81% in FY2024) of its total portfolio as of March 2026, exposing it to concentration-related risks. Going forward, VFSPL intends to grow and diversify its portfolio, which could result in a gradual reduction in the share of these states in the overall portfolio.

Asset quality stress witnessed in FY2026; gradual recovery expected, going forward – The company witnessed asset quality stress in FY2026, in line with the deterioration in the broader industry environment, especially microfinance (MF).

Consequently, slippages were high in FY2026 and Q1 FY2027. However, slippages declined in Q1 FY2027 on a year-on-year (YoY) basis, but remained higher than Q4 FY2026 level. VFSPL's GS3 rose to 3.5% as of June 2026 from 2.9% as of March 2026 (3.1% as of March 2025), VFSPL undertook sale of stressed assets to an ARC totalling about Rs. 256 crore of principal outstanding (resulting in net write-offs of Rs. 106.7 crore during the year), which reduced its reported loan overdues. The net security receipts from the ARC sale stood at 1.5% of the total AUM as of March 2026. Nevertheless, ICRA anticipates incremental recoveries during the rest of FY2027, supported by the steps taken by the company, including the tightening of credit policies and strengthening of the collection processes and teams.

However, ICRA notes that the company tightened its credit policies with respect to various underwriting parameters, including loan-to-value (LTV), ticket sizes and loan tenors, etc. This would support an improvement in the risk profile of VFSPL's loan exposures over the near-to-medium term. This is validated by the high share of the portfolio with a CIBIL score of more than 700 in recent years, which stood at 66% of the total AUM as of March 2026. However, a sizeable portion of the loan book (15% of the total AUM) continues to be targeted towards the new-to-credit (NTC) borrower segment. The share of higher-ticket loans (>Rs. 20 lakh) in the company's portfolio moderated to 11.5% of the AUM as of March 2026 from 17.3% as of March 2025 as it focussed on granularising its loan book. With VFSPL's focus expected to remain primarily in the ticket size category of Rs. 5-20 lakh, loan concentration-related risks would continue to improve over the medium term.

Liquidity position: Strong

As on June 30, 2026, the company was carrying unencumbered on-book liquidity of Rs. 267.21 crore and unutilised bank lines of Rs. 617.2 crore against scheduled debt obligations of Rs. 389.1 crore during July-September 2026. The asset-liability maturity (ALM) profile, as of March 2026, reflected positive cumulative mismatches across all buckets.

As of March 2026, VFSPL had borrowings from around 36 lenders, comprising a mix of public sector banks (7), private sector banks (14), small finance banks (4), non-banking financial institutions/financial institutions (NBFCs/FIs; 4), external commercial borrowings (ECB; 2) and non-convertible debentures (NCDs; 5). Its lender profile, as of March 2026, was skewed towards funding from banks, constituting 65% of the total borrowings, followed by ECB (17%), NCDs (15%), NBFCs/FIs (3%) and pass-through certificates (PTCs; 0.5%).

Rating sensitivities

Positive factors – The sustained scale-up of operations, while maintaining healthy asset quality and earnings profile.

Negative factors – Pressure on the ratings could arise on a sustained increase in the managed gearing beyond 4 times on a sustained basis. Deterioration in the asset quality indicators, with the GS3 rising beyond 4.5%, resulting in a decline in the RoMA on a continued basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Rating Methodology for Non-banking Finance Companies Policy on Withdrawal of Credit Ratings
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

About the company

VFSPL is a Bengaluru-based non-banking financial company (NBFC) catering to small businesses. It commenced operations in 2010 with a focus on microfinance (MF) loans. However, it shifted its focus to providing loans to micro, small and medium enterprises (MSMEs) in rural and semi-urban areas from April 2011 and stopped disbursing new MF loans from August 2011. The company mainly provides small business mortgage loans (SBMLs) at present. Small businesses funded by VFSPL include trading, kirana/general stores/shops, power/auto/handlooms, dairy and allied products, and small manufacturing units.

Warburg Pincus LLC is the majority shareholder with a 70.1% stake as of March 2026. In FY2025 and Q1 FY2026, new investors (Motilal Oswal Finvest Limited, IMP2 Catalyst Pte Ltd, Faering Capital Growth Fund III and Faering Capital International Growth Fund III) made an investment in the company. A capital infusion of Rs. 840 crore was made in FY2025 with another Rs. 30 crore in Q1 FY2026. Mr. Avijit Saha, who has more than 30 years of experience in rural and inclusive banking, is VFSPL's Managing Director & Chief Executive Officer (MD & CEO). In addition, the company's board consists of one nominee director, three additional directors, and two independent directors.

As of March 2026, VFSPL had 309 branches in 12 states/Union Territories, including Tamil Nadu, Karnataka, Maharashtra, Gujarat, Madhya Pradesh, Rajasthan, Odisha, Uttar Pradesh, Andhra Pradesh, Telangana, Haryana and Delhi.

Key financial indicators

Vistaar Financial Services Private Limited	FY2025	FY2026	Q1 FY2027*
Total income	924.0	1,027.0	245.8
Profit after tax	221.1	287.3	61.5
Total managed assets[1]	6,073.1	6,211.3	6,292.7
Return on managed assets	4.1%	4.7%	3.9%
Managed gearing (times)	1.4	1.2	1.1
Gross stage 3	3.1%	2.9%	3.5%
CRAR	51.4%	51.4%	51.0%

*Source: Company, ICRA Research; Amount in Rs. crore; All ratios as per ICRA's calculations; *Limited review*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

[1] *Total managed assets = Total assets + Off-book AUM + Impairment loss allowance*

Rating history for past three years

Current (FY2027)				Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Aug 18, 2026	Date	Rating	Date	Rating	Date	Rating
Fund based – Term loan	Long term	2,061	[ICRA]A+ (Stable)	Aug 20, 2025	[ICRA]A+ (Stable)	Dec 30, 2024	[ICRA]A+ (Stable)	Aug 04, 2023	[ICRA]A (Positive)
				-	-	-	-	Feb 07, 2024	[ICRA]A+ (Stable)
				-	-	-	-	Mar 20, 2024	[ICRA]A+ (Stable)
Fund based –Overdraft	Short term	39	[ICRA]A1+	Aug 20, 2025	[ICRA]A1+	Dec 30, 2024	[ICRA]A1+	Aug 04, 2023	[ICRA]A1
				-	-	-	-	Feb 07, 2024	[ICRA]A1+
				-	-	-	-	Mar 20, 2024	[ICRA]A1+
Non-convertible debenture	Long term	105	[ICRA]A+ (Stable)	Aug 20, 2025	[ICRA]A+ (Stable)	Dec 30, 2024	[ICRA]A+ (Stable)	Aug 04, 2023	[ICRA]A (Positive)
				-	-	-	-	Feb 07, 2024	[ICRA]A+ (Stable)
				-	-	-	-	Feb 07, 2024	[ICRA]A+ (Stable)
				-	-	-	-	Mar 20, 2024	[ICRA]A+ (Stable)
				-	-	-	-	Mar 20, 2024	[ICRA]A+ (Stable)
				-	-	-	-	Mar 20, 2024	[ICRA]A+ (Stable); withdrawn

Complexity level of the rated instruments

Instrument	Complexity indicator
NCD programme	Simple
Long term fund based – Term loan	Simple
Short term fund based – Overdraft	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	Financial sector regulator#
INE016P07195	**Non-convertible debentures**	Mar-05-2024	9.75%	Mar-05-2027	75.00	[ICRA]A+ (Stable)	SEBI
INE016P07211	**Non-convertible debentures**	Apr-19-2024	9.65%	Apr-19-2027	30.00	[ICRA]A+ (Stable)	SEBI
INE016P07203	**Non-convertible debentures**	Mar-26-2024	9.75%	Mar-26-2026	100.00	[ICRA]A+ (Stable); withdrawn	SEBI
NA	**Long term fund based – Term loan**	Sep-21-2021	8.1%-11.1%	Sep-30-2030	2,061.00	[ICRA]A+ (Stable)	RBI
NA	**Short term fund based – Overdraft**	-	-	-	39.00	[ICRA]A1+	RBI

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 which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

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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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.

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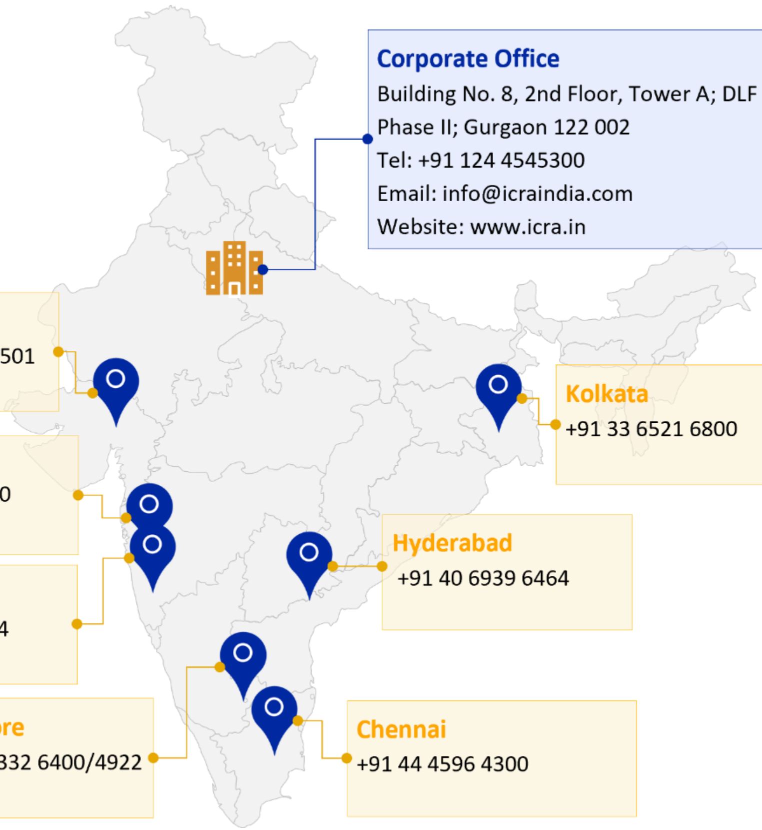

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