September 10, 2026

Saarathi Finance and Credit Private Limited: [ICRA]A- (Stable) assigned to NCDs; ratings reaffirmed and rated amount enhanced for bank facilities

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Non-convertible debentures	100.00	100.00	[ICRA]A- (Stable); reaffirmed	MCA
Non-convertible debentures	0.00	175.00	[ICRA]A- (Stable); assigned	MCA
Long-term fund-based bank facilities	500.00	1,325.00	[ICRA]A- (Stable); reaffirmed/assigned for enhanced amount	RBI
Commercial paper	100.00	100.00	[ICRA]A2+; reaffirmed	RBI
Total	**700.00**	**1,700.00**		

**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 ratings factor in Saarathi Finance and Credit Private Limited's (SFCPL) healthy capitalisation for its current scale of operations with a net worth of Rs. 477 crore as on June 30, 2026, supported by the capital raise of about Rs. 477 crore since inception. The company's assets under management (AUM) stood at Rs. 596 crore as on June 30, 2026. The capital base has been supported by a sizeable contribution from the Founder & Chief Executive Officer (CEO), who held 51% as on June 30, 2026, followed by private equity (PE) investors such as TVS Capital, Evolvence, Lok Capital and Paragon Partners with a total stake of ~41%. The ratings also factor in the company's focus on the retail secured finance segment, backed by its experienced management team.

The ratings are, however, constrained by the company's nascent operations and its significant investment in building the required control systems and processes and teams, which has led to high operating expenses. SFCPL had set up 83 branches in six states as on June 30, 2026, and is expected to increase the branch network in the near-to-medium term. The profitability from the core lending business is, therefore, expected to improve only over the longer term as the operating efficiencies improve. ICRA, nevertheless, takes note of the fee-based income streams from debt syndication and loan collection arrangements, which shall support SFCPL's earnings till the lending business stabilises and starts providing business returns. Over the long term, fee income is expected to contribute only a modest share of the overall earnings after the core lending business scales up.

ICRA notes that while the current focus is on secured loans (backed by mortgage), the company is expected to have exposure to unsecured business loans of up to 15% of the portfolio over the medium-to-long term. Its ability to profitably scale up the business while maintaining resilient asset quality would be a key monitorable, considering the low seasoning of the secured loans in the near-to-medium term and the expected increase in the share of unsecured loans. Further, SFCPL's ability to build a well-diversified funding profile at competitive rates on a sustained basis would remain critical, considering its growth plans.

The Stable outlook reflects ICRA's expectation that the company will maintain adequate capital buffers and improve its earnings profile while sustaining its portfolio growth.

Key rating drivers and their description

Credit strengths

Healthy capitalisation to support growth over the near-to-medium term – SFCPL has a healthy capitalisation profile with a net worth of Rs. 477 crore as on June 30, 2026. Initially, the company had raised equity of about Rs. 477 crore (Rs. 110 crore from Founder & CEO, Rs. 320 crore from marquee investors such as TVS Capital, Evolvence, Lok Capital and Paragon Partners and Rs. 47 crore from other investors). The current capital base is sufficient to meet SFCPL's growth plans for the next 12-18 months wherein the company plans to reach an AUM of Rs. 2,500 crore by March 2028, following which it would require further capital to support its growth plans. ICRA expects the managed gearing to remain below 4 times on a steady-state basis over the longer term.

SFCPL plans to further expand its service of loan collection of stressed assets in association with an asset reconstruction company (ARC), which would require some investment. However, this is very modest at present and is not likely to increase beyond Rs. 10 crore over medium-to-long term, limiting the risk of capital erosion from the same.

Focus on retail secured finance with healthy growth prospects – As on June 30, 2026, SFCPL's portfolio almost entirely consisted of secured loans (backed by mortgage). The product profile includes secured business loans (Rs. 3-25 lakh) and unsecured business loans (Rs. 0.5-3.0 lakh), which offer healthy growth potential over the medium-to-long term. The portfolio is currently spread across six states through a network of 83 branches as on June 30, 2026, with collections and most of the sourcing managed in-house. SFCPL aims to maintain the mix of secured and unsecured loans in the ratio of 85:15 on a steady-state basis while scaling up its portfolio and expanding its geographical footprint by penetrating deeper in the existing states (Uttar Pradesh, Rajasthan, Karnataka, Andhra Pradesh, Telangana, and Tamil Nadu) within semi-urban and rural areas with proximity to small and medium business hubs. The company intends to consolidate its position in these states over the medium term and gradually broaden its reach to other states thereafter.

Credit challenges

Nascent stage of operations – SFCPL received its licence as a non-banking financial company (NBFC) and commenced lending operations in April 2025 and reported a modest AUM of Rs. 596 crore as on June 30, 2026. Given the limited seasoning of the book, the asset quality is yet to be tested. Nonetheless, the company has formulated a well-defined credit underwriting framework and risk management, risk and technology architecture and collections framework to support the scaling up of operations, though the performance of the same remains monitorable. SFCPL complements its core retail lending model with a fee-based business, encompassing debt advisory services and NPA purchase and collections business, aimed at enhancing profitability in the near term till the core lending business scales up. Over the long term, fee income is expected to contribute only a modest share of the overall earnings. The company's operations have been funded largely by equity so far with limited borrowings as on date. SFCPL's ability to build a well-diversified funding profile at competitive rates on a sustained basis would remain critical, considering its growth plans.

ICRA draws strength from the company's experienced promoter and management team along with the support from a seven-member board including two independent directors and four nominee directors from the PE investors.

Evolving profitability metrics; expected to improve steadily, going forward – Notwithstanding the high operating expenses associated with the early stage of operations, the company reported a profit after tax (PAT) of Rs. 2.0 crore (as per IGAAP) in FY2026 and Rs. 1.6 crore (Provisional as per Ind-AS) in Q1 FY2027. Given the focus on the granular retail segments and the initial stage of business, operating expenses are expected to remain high over the near term as SFCPL expands its operation. It would require branch network expansion and manpower addition as well as continued investments for technology and processes. Profitability from the core lending business is thus expected to improve only in the longer term as the operating efficiencies improve. ICRA, however, takes note of fee-based income from the debt syndication and loan collection arrangements, which shall support SFCPL's earnings till the lending business stabilises and starts generating business returns. Over the long term, fee income is expected to contribute only a modest share of overall earnings after the core lending business scales up. SFCPL's ability to profitably scale up the business while maintaining resilient asset quality would be a key monitorable.

Liquidity position: Adequate

SFCPL's liquidity position is adequate with positive cumulative mismatches in the up-to one-year bucket, as per the asset-liability maturity (ALM) profile as on June 30, 2026. For the 12-month period ending June 30, 2027, the company has debt obligations of Rs. 104 crore against inflow from advances of Rs. 36.4 crore. The liquidity is further supported by unencumbered cash and cash equivalents and liquid investments of Rs. 251 crore and unutilised limits of Rs. 52 crore as on June 30, 2026.

Rating sensitivities

Positive factors – The company's rating could be positively impacted if the company is able to build up scale and witness significant improvement in its earnings profile, with the return on managed assets (RoMA) exceeding 3.5% on a sustained basis, while maintaining healthy asset quality profile.

Negative factors – Weakening in the asset quality profile, inability to improve the earnings performance or a sustained increase in the managed gearing above 4.0 times 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

Saarathi Finance and Credit Private Limited (SFCPL; founded by Mr. Vivek Bansal) was incorporated in August 2024 and received its NBFC licence in April 2025. It commenced operations in April 2025 and provides loans to micro, small and medium enterprises (MSMEs) across semi-urban and rural India. The company also has fee-based businesses, which include debt advisory services and NPA purchase and collections business. It largely focusses on the self-employed customer segment for MSME lending. SFCPL is backed by notable investors such as TVS Capital (11.5% equity stake as on June 30, 2026), Evolvence (11.5%), Lok Capital (11.5%), and Paragon Partners (6.4%).

As on June 30, 2026, the company had 83 branches across six states, namely Uttar Pradesh, Rajasthan, Karnataka, Andhra Pradesh, Telangana, and Tamil Nadu, with an employee base of 941 and AUM of Rs. 596 crore.

Key financial indicators

SFCPL	FY2025	FY2026	Q1 FY2027
As per	**IGAAP**	**IGAAP**	**Ind-AS**
	Audited	**Audited**	**Unaudited**
Total income	0.3	81.4	36.9
PAT	-3.4	2.0	1.6
Total managed assets	22.8	836.7	880.3
Return on managed assets	-30.1%	0.5%	0.7%
Managed gearing (times)	0.0	0.7	0.8
Gross NPA	0.0%	0.0%	0.0%
CRAR	NA	65.5%	56.2%

Source: Company data, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; Managed gearing = Borrowings + Off-balance sheet advances/Net worth; Total managed assets = Total assets + Impairment loss allowance on gross loans + Off-balance sheet advances

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2027)			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
	Type	Amount rated (Rs. crore)	Sep 10, 2026	Date	Rating	Date	Rating	Date	Rating
Fund based – Term loan	Long term	1,325.00	[ICRA]A- (Stable)	Jan 06, 2026	[ICRA]A- (Stable)	-	-	-	-
				Mar 12, 2026	[ICRA]A- (Stable)	-	-	-	-
Commercial paper	Short term	100.00	[ICRA]A2+	Jan 06, 2026	[ICRA]A2+	-	-	-	-
				Mar 12, 2026	[ICRA]A2+	-	-	-	-
Non-convertible debenture	Long term	100.00	[ICRA]A- (Stable)	Mar 12, 2026	[ICRA]A- (Stable)	-	-	-	-
Non-convertible debenture	Long term	175.00	[ICRA]A- (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based bank facilities	Simple
Non-convertible debentures	Simple
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/sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook	Financial Sector Regulator#
NA	**Long-term fund-based bank facilities**	NA	NA	FY2032	517.00	[ICRA]A- (Stable)	RBI
NA	**Long-term fund-based bank facilities**	NA	NA	NA	808.00	[ICRA]A- (Stable)	RBI
INE2LQA07016	**Non-convertible debenture**	Mar 24, 2026	10.3%	Mar 24, 2029	75.00	[ICRA]A- (Stable)	MCA
Yet to be placed	**Non-convertible debentures**	NA	NA	NA	200.00	[ICRA]A- (Stable)	MCA
Yet to be placed	**Commercial paper**	NA	NA	7-365 days	100.00	[ICRA]A2+	RBI

Source: Company; Instrument details as on September 09, 2026; ; #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

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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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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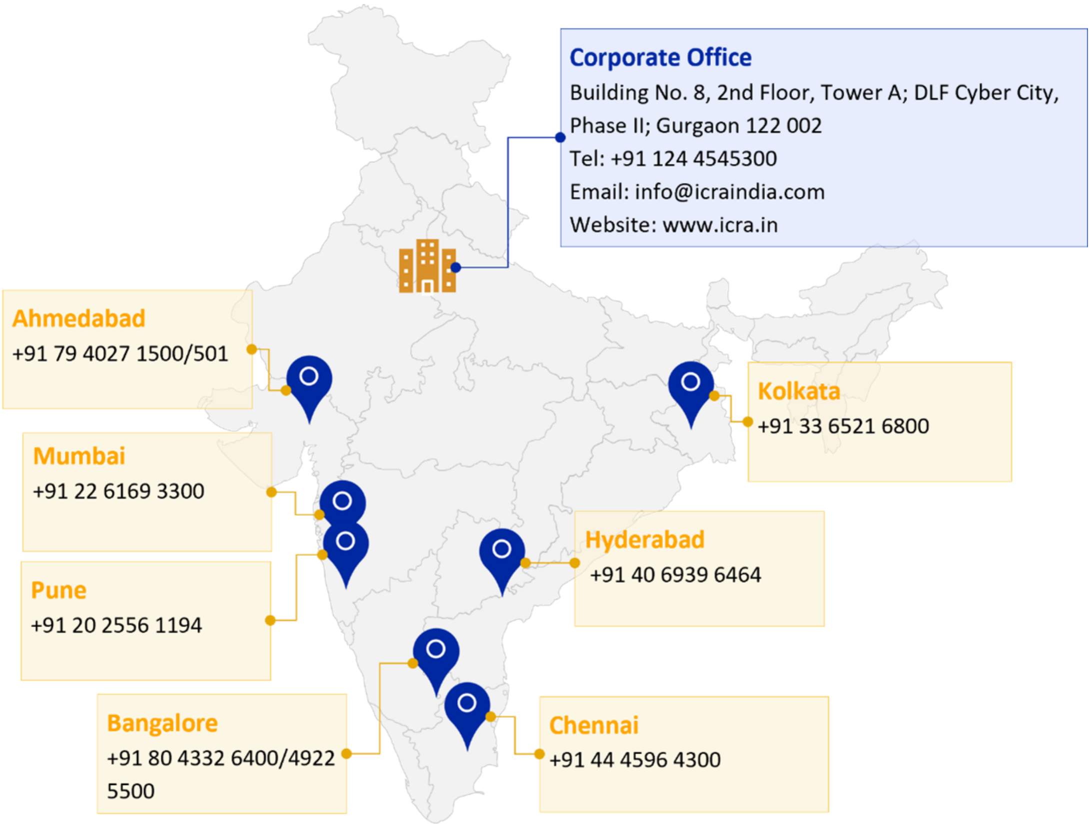

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