

India Ratings Rates Keertana Finserv's Additional NCDs 'IND BBB+'/Stable; Affirms Existing Ratings

Jan 19, 2026 | Non Banking Financial Company (NBFC)

India Ratings and Research (Ind-Ra) has taken the following rating actions on Keertana Finserv Limited's (KFL) debt instruments:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/Watch	Rating Action
Non-convertible debentures*	-	-	-	INR3,000	IND BBB+/Stable	Assigned
Bank loan facilities	-	-	-	INR2,000	IND BBB+/Stable	Affirmed
Non-convertible debentures*	-	-	-	INR21,000	IND BBB+/Stable	Affirmed

*Details in annexure

Analytical Approach

Ind-Ra continues to take a standalone view of KFL to arrive at the ratings.

Detailed Rationale of the Rating Action

The ratings reflect healthy growth in KFL's scale of operations in FY25 and 1HFY26, the considerable experience of the promoter and timely capital infusions as needed, the scalable franchise with well-defined product segments and a stable funding mix. The asset quality specific to non-gold portfolio would be a key monitorable. However, the ratings remain constrained by the geographical concentration of the loan portfolio, with Andhra Pradesh constituting about 79% of the assets under management (AUM) at end-September 2025; however, gold loan players typically exhibit a higher concentration in the southern region.

List of Key Rating Drivers

Strengths

- Scalable franchise with well-defined product segments; rising share of secured products
- Established track record of capital infusion by promoter
- Experienced promoter, but keyman risk remains
- Improving funding mix

Weaknesses

- Profitability declines due to rise in credit costs
- Geographical diversification with rising scale remains monitorable
- Asset quality impacted by elevated risk in JLG segment

Detailed Description of Key Rating Drivers

Scalable Franchise with Well-Defined Product Segments; Rising Share of Secured Products: KFL witnessed a healthy growth in its scale of operations over FY23-FY25 with a 2.86x increase in the AUM to INR23.4 billion (FY24: INR15.6 billion; FY23: INR6.2 billion). The AUM further grew to INR27.14 billion in 1HFY26. The agency expects the company to maintain its AUM growth, backed by an increasing trend of disbursements on a sequential basis and improved availability of funding and a planned equity infusion of up to INR1 billion from the promoters by the end of FY26. In 1HFY26, about 83.7% of the AUM consisted of gold loans, followed by joint liability group (JLG) loans (8.62%), home loans (HL)/loans against property (LAP; 6.93%) and unsecured loans (0.71%). As a part of its strategy, the management intends to increase the share of secured products in the overall AUM mix, which would be majorly through increasing the share of gold loans in the overall AUM mix. The secured portion contributed 90.67% at 1HFY26 (FYE25: 73%; FYE24: 49%). The agency expects the secured portion of the loan book to increase in the medium-to-long term; this would remain a key rating monitorable. KFL operates through a network of 464 branches spread across six states. The company plans to diversify further and expand its operations in the existing geographies.

Established Track Record of Capital Infusion by Promoter: The promoter has been timely infusing equity capital in KFL since its inception in April 2022. This, coupled with KFL's adequate profitability scaled up the net worth to INR5.9 billion in FY25 (FY24: INR3.8 billion; FY23: INR1.6 billion) and further to INR6.5 billion in 1HFY26. The promoter has infused a total of INR5 billion in KFL since inception and has committed further capital by end-FY26 to help maintain the growth momentum in the medium term. The company is well supported, with a capital base of INR6.5 billion in 1HFY26. KFL had debt outstanding of INR19.4 billion at FYE25, resulting in leverage (debt/tangible equity) of 3.26x (FY24: 3.35x, FY23: 3.01x). The leverage stood at 3.6x in 1HFY26. KFL's capital risk adequacy ratio stood at 25.4% in 1HFY26 (FY25: 25.1%, FY24: 23.6%, FYE23: 26%). The agency expects the non-banking financial company (NBFC) to operate at similar leverage levels in the near term, and the management has stated that it will curtail the leverage at 4.0x in the long term. Furthermore, the promoter has a sizable share of resources to infuse capital, as and when needed.

Experienced Promoter, but Keyman Risk Remains: The promoter of KFL has a proven track record in the NBFC-microfinance institutions (MFI) space. Prior to KFL, the promoter had set up Spandana Sphoorty Financial Limited ('[IND BBB+/Negative](#)'), an NBFC-MFI with over 1,800 branches and outstanding AUM of INR68.1 billion as on 31 March 2025. The promoter has over two decades of experience operating across India, with an adequate understanding of borrower behaviour in these geographies. With a prior background in the NBFC-MFI lending space, the promoter has also played a key role in establishing strong relationships with lenders during the early stages of KFL's journey. Given the overlap between the borrower segments in the MFI and gold loan sectors, KFL is well-positioned to leverage on the promoter's experience for a strategic advantage. KFL witnessed an exponential increase in the scale of operations over FY23-FY25. The promoter's reputation has played a key role in mobilising funds so far. Thus, there is an element of keyman risk involved in the business model. The company has strengthened its leadership through certain top-level appointments, but sustaining growth will require further strengthening of the second-tier management structure.

Improving Funding Mix: KFL's funding is well diversified with access to financial institutions and capital markets. In 1HFY26, the borrowing mix consisted of non-convertible debentures (54%), term loans from banks and financial institutions (36%), securitisation (6%), and the rest was through sub debt and WCDL. The company has funding relationships with large NBFCs and small finance banks. As of September 2025, the company had lending relationships with six banks, five small finance banks and 35 NBFCs. KFL's capital market instruments are largely subscribed by high-net-worth individual investors. The agency believes increasing the share of funding from banks and the matured lending relationships with the existing lenders will be critical to contain the cost of borrowings.

Profitability Declines due to Rise in Credit Costs: KFL has been profitable since inception, and the company reported a profit after tax of INR659 million in FY25 (FY24: INR716 million). The moderation in profitability in FY25 was primarily on account of an increase in credit costs, mainly arising out of the deterioration in the unsecured book. The return on assets moderated to 3.05% in FY25 (FY24: 5.92%, FY23: 2.28%). The cost to income ratio of KFL increased to 42.94% in FY25 (FY24: 33.43%; FY23: 52.86%); however, the ratio remains comparable to peers in a similar rating category.

The profitability has continued to moderate in 1HFY26, primarily driven by elevated credit costs pertaining to the JLG book. Furthermore, the management has stated that the credit cost would continue to be elevated for FY26, owing to the

stress in the JLG book, which would constrain the overall profitability in FY26. The credit cost to AUM stood at 6.11% in 1HFY26 compared to 2.86% in FY25. The agency expects KFL's profitability to remain subdued in FY26. However, KFL plans to gradually wind down its unsecured loan portfolio and focus more on its gold loan business, which is likely to lead to an improvement in the profitability metrics, given the secured nature of gold loans.

Geographical Diversification with Rising Scale Remains Monitorable: KFL's operations, which commenced in April 2022, remain geographically concentrated, given the management's plans to expand aggressively in the southern states in the initial growth phase. At end-September 2025, Andhra Pradesh accounted for 79.7% of the company's AUM (FY25: 83.4%), followed by Telangana at 17.32% (12.8%). The company has 464 branches spread across six states and would now focus on expanding the share of AUM in Telangana and Odisha in the near term. Ind-Ra believes that geographical expansion will be a prudent option for the company, as geographical concentration could lead to operational and control-related challenges that could impact KFL's asset quality.

Asset Quality Impacted by Elevated Risk in JLG Segment: With more than half of the loan book being largely made up of gold loans, the overall asset quality has remained stable. The gross non-performing assets stood at 0.77% in FY25 (FY24: 0.05%; FY23: 0.01%). During 1QFY26, the gross non-performing assets (GNPA) increased to 2.06%, and net non-performing assets (NNPA) stood at 1.01%, primarily driven by the stress in the JLG book. However, the gold delinquencies have remained under check because of the inherent strength of gold loans, with easy liquidation of collateral and low loss given default. However, the agency believes the portfolio is exposed to market risk from volatility in gold prices, wherein filters on loan-to-value need to be monitored on a real time basis. Any sharp decline in gold prices could have a detrimental impact on the portfolio in the near term and could lead to an increase in auctions.

The asset quality performance of the non-gold portfolio, primarily the JLG loans, has seen deterioration, considering the wider stress in the unsecured segment. Consequently, the company reduced its exposure in the JLG segment to 8.63% in 1QFY26 from 41.9% at FY24. The GNPA and NNPA as on September 2025 for the JLG loans stood at 20.18% and 9.41%, respectively; in gold loans, however, the company reported nil GNPA and NNPA. The credit cost as a percentage of AUM increased to 6.11% in 1QFY26 (FY25: 2.86%). However, future growth in the loan book will be driven by secured products, thus limiting KFL's exposure to riskier segments, thereby improving the asset quality. Under the secured products, excluding gold loans, KFL also has micro, small and medium enterprises (MSME) home and LAP loans, which cumulatively accounted for 6.9% of the AUM as of September 2025, Ind-Ra would also monitor the incremental growth and asset quality performance in these segments.

Liquidity

Adequate: At end-September 2025, KFL's contractual structural liquidity statement had a cumulative surplus of 41% as a percentage of the total assets in less than one-year bucket. As of December 2025, KFL had on-balance sheet liquidity of INR3.48 billion. This, coupled with monthly average advances inflow of over INR4 billion, is adequate to cover the three-month debt outflow of INR4.75 billion. The company's ability to further raise funds from diverse sources remains a monitorable. However, on sustainable basis, the entity would maintain liquidity sufficient for three months of debt repayment (including inflows) and curtail leverage at 4.0x in the long term.

Rating Sensitivities

Positive: The ability to scale up the franchise while significantly improving the AUM mix towards secured lending from its existing levels, diversifying its funding mix and geographical presence while maintaining profitability buffers and asset quality will be positive for the ratings

Negative: The factors that could, individually or collectively, lead to a negative rating action include:

- sharp deterioration in the scale of operations
- a material rise in portfolio delinquencies
- funding challenges, leading to dilution of liquidity buffers
- the leverage exceeding 4.0x on a sustained basis

Any Other Information

Not applicable

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on KFL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

About the Company

KFL is a non-deposit taking NBFC. It was incorporated in February 1996 as Rajshree Tracom Pvt Ltd; the promoter acquired it in March 2022. The gold loan business was acquired from Spandana Mutual Benefit Trust (INR1.9 billion) and the MSME business from Spandana Rural and Urban Development Organisation (INR140 million) as per a business transfer agreement dated 4 April 2022. The company provides gold loans, group (JLG) loans, LAP/home loans and unsecured loans. As on 31 March 2025, the company had 402 branches spread across six states.

Key Financial Indicators

Particulars	FY25	FY24
Total assets (INR billion)	26	17.2
Total tangible equity (INR billion)	5.9	3.8
Net profit (INR million)	658.6	715.9
Return on average assets (%)	3.05	5.92
Equity/assets (%)	22.88	22.54
Capital adequacy ratio (%)	25	23.6
Source: Ind-Ra, KFL		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Rating/Outlook	Historical Rating/Outlook					
				26 November 2025	17 November 2025	20 August 2025	18 July 2025	20 June 2025	1 August 2024
Bank loan facilities	Long-term	INR2,000	IND BBB+/Stable	IND BBB+/Stable	IND BBB+/Stable	IND BBB+/Stable	IND BBB+/Stable	IND BBB+/Stable	IND BBB+/Stable
Non-convertible debentures	Long-term	INR24,000	IND BBB+/Stable	IND BBB+/Stable	IND BBB+/Stable	IND BBB+/Stable	IND BBB+/Stable	IND BBB+/Stable	IND BBB+/Stable

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan facilities	Low
Non-convertible debentures	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Rating/Outlook	Outstanding/Rated Amount (million)
Non-convertible debentures	INE0NES07121	30 July 2024	11.4	28 January 2027	IND BBB+/Stable	INR1,000
Non-convertible debentures	INE0NES07139	22 October 2024	11.4	22 April 2027	IND BBB+/Stable	INR750
Non-convertible debentures	INE0NES07147	26 November 2024	11.4	26 May 2027	IND BBB+/Stable	INR400
Non-convertible debentures	INE0NES07154	23 January 2025	11.3	23 January 2027	IND BBB+/Stable	INR500
Non-convertible debentures	INE0NES07162	6 March 2025	11.3	6 March 2027	IND BBB+/Stable	INR400
Non-convertible debentures	INE0NES07147	8 April 2025	11.4	26 May 2027	IND BBB+/Stable	INR220
Non-convertible debentures	INE0NES07162	24 April 2025	11.3	6 March 2027	IND BBB+/Stable	INR380
Non-convertible debentures	INE0NES07170	30 April 2025	11.3	30 January 2027	IND BBB+/Stable	INR400
Non-convertible debentures	INE0NES07162	15 May 2025	11.3	6 March 2027	IND BBB+/Stable	INR250
Non-convertible debentures	INE0NES07196	16 June 2025	11.4	19 June 2026	IND BBB+/Stable	INR900
Non-convertible debentures	INE0NES07188	11 June 2025	11.2	11 December 2026	IND BBB+/Stable	INR500
Non-convertible debentures	INE0NES07212	23 June 2025	11.4	23 June 2028	IND BBB+/Stable	INR250
Non-convertible debentures	INE0NES07204	25 June 2025	11.4	25 June 2028	IND BBB+/Stable	INR250
Non-convertible debentures	INE0NES07220	11 July 2025	11.3	11 April 2027	IND BBB+/Stable	INR200
Non-convertible debentures	INE0NES07238	15 July 2025	11.4	15 January 2027	IND BBB+/Stable	INR500
Non-convertible debentures	INE0NES07170	18 July 2025	11.3	30 January 2027	IND BBB+/Stable	INR368.30
Non-convertible debentures	INE0NES07246	24 July 2025	11.2	3 April 2027	IND BBB+/Stable	INR1,000
Non-convertible debentures	INE0NES07154	28 July 2025	11.3	23 January 2027	IND BBB+/Stable	INR350
Non-convertible debentures	INE0NES07188	1 August 2025	11.2	11 December 2026	IND BBB+/Stable	INR350
Non-convertible debentures	INE0NES07253	12 August 2025	11.4	12 May 2027	IND BBB+/Stable	INR1,000
Non-convertible debentures	INE0NES07261	19 August 2025	11.1	19 August 2027	IND BBB+/Stable	INR500
Non-convertible debentures	INE0NES07279	11 September 2025	11.4	11 April 2028	IND BBB+/Stable	INR450
Non-convertible debentures	INE0NES07220	16 September 2025	11.3	11 April 2027	IND BBB+/Stable	INR300
Non-convertible debentures	INE0NES07188	24 September 2025	11.2	11 December 2026	IND BBB+/Stable	INR200
Non-convertible debentures	INE0NES07188	24 September 2025	11.2	11 December 2026	IND BBB+/Stable	INR300
Non-convertible debentures	INE0NES07261	10 October 2025	11.1	19 August 2027	IND BBB+/Stable	INR1000
Non-convertible debentures	INE0NES07287	24 October 2025	11.4	24 October 2027	IND BBB+/Stable	INR1010
Non-convertible debentures	INE0NES07287	7 November 2025	11.4	24 October 2027	IND BBB+/Stable	INR500
Non-convertible debentures	INE0NES07246	12 November 2025	11.2	3 April 2027	IND BBB+/Stable	INR900
Non-convertible debentures	INE0NES07188	18 November 2025	11.2	11 December 2026	IND BBB+/Stable	INR700
Non-convertible debentures	INE0NES07287	26 November 2025	11.4	24 October 2027	IND BBB+/Stable	INR500

Non-convertible debentures	INE0NES07253	4 December 2025	11.4	12 May 2027	IND BBB+/Stable	INR525
Non-convertible debentures	INE0NES07188	9 December 2025	11.2	11 December 2026	IND BBB+/Stable	INR510
Non-convertible debentures	INE0NES07238	12 December 2025	11.4	15 January 2027	IND BBB+/Stable	INR1352.5
Non-convertible debentures	INE0NES07295	30 December 2025	11.5	28 March 2029	IND BBB+/Stable	INR350
Non-convertible debentures	INE0NES07154	5 January 2026	11.3	23 January 2027	IND BBB+/Stable	INR300
Non-convertible debentures (Unutilised)					IND BBB+/Stable	INR4634.2
Total limit						INR24,000
Source: KFL, NSDL						

Contact

Primary Analyst

Nitin Chavan

Analyst

India Ratings and Research Pvt Ltd

Wockhardt Towers, 4th Floor, West Wing, Bandra Kurla Complex, Bandra East, Mumbai - 400051

+91 22 40356113

For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst

Jinay Gala

Director

+91 22 40356138

Media Relation

Ameya Bodkhe

Marketing Manager

+91 22 40356121

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Financial Institutions Rating Criteria

Non-Bank Finance Companies Criteria

The Rating Process

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