

Fedbank Financial Services Limited

October 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term / Short-term bank facilities	7,500.00	CARE AA+; Stable / CARE A1+	Reaffirmed
Debt - subordinate debt	350.00	CARE AA+; Stable	Reaffirmed
Non-convertible debentures	12.50	CARE AA+; Stable	Reaffirmed
Non- convertible debentures	200.00	CARE AA+; Stable	Reaffirmed
Non- convertible debentures	250.00	CARE AA+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings to debt instruments and bank facilities of Fedbank Financial Services Limited (Fedfina) takes into account its improving scale of operations, stable operating performance, adequate capitalisation and comfortable liquidity position. Ratings continue to reflect Fedfina's strategic importance to its parent and majority shareholder (60.97%), Federal Bank Limited (FBL; rated CARE AA+; Stable). CARE Ratings Limited (CareEdge Ratings) expects Fedfina to benefit from shared brand name, and receive financial, managerial, and operational support from its parent company.

Ratings remain constrained by moderate asset quality and limited track record of the non-gold portfolio, geographical concentration, and a skewed resource profile with high reliance on bank funding.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Improvement in credit profile of the parent, FBL.
- Significant scale-up of operations, while maintaining comfortable asset quality and improving earnings profile.

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Any change in the ownership structure resulting in FBL's stake in Fedfina falling below 51% or moderating Fedfina's linkages with FBL, or any significant deterioration in FBL's credit profile
- Net gearing level above 4.5x on a sustained basis.
- Deteriorating asset quality of the portfolio, wherein the net non-performing assets (NPA) to tangible net worth (TNW) ratio exceeds 15%.
- Deteriorating profitability, with return on average total assets (ROTA) falling below 1.5% on a sustained basis.

Analytical approach: Standalone

CareEdge Ratings has analysed the standalone credit profile of Fedfina, factoring linkages with its parent FBL.

Outlook: Stable

Stable outlook reflects CareEdge Ratings' expectation that Fedfina would receive continued financial and managerial support from parent, FBL. The outlook also reflects that the company will continue growing its portfolio while maintaining healthy financial profile.

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Strong parentage and support from FBL

Fedfina is a majority owned subsidiary of Federal Bank Limited (FBL), which held 60.97% stake as on June 30, 2025 (PY: 61.30%). Fedfina remains strategically important to FBL, evidenced by cumulative equity infusions aggregating ~₹471 crore, and outstanding funding support of ~₹1,325.53 crore (PY: ~₹1,031 crore). The company also benefits from strong managerial and operational linkages with its parent through shared branding, board level oversight, and involvement in key decision-making processes.

CareEdge Ratings expects continued financial, managerial and operational support from FBL. Dilution in parent control, reduction in strategic importance, or weakening of demonstrated support and regulatory developments impacting bank–NBFC linkages will remain a key monitorable.

Comfortable capitalisation profile

Fedfina's capitalisation remains adequate, supported by equity infusions and strengthening effect of its IPO. TNW improved to ~₹2,630 crore as on June 30, 2025 (₹2,533 crore as on March 31, 2025; ₹2,142 crore as on March 31, 2024), while gearing moderated to 3.86x from 4.05x and 3.83x in the same period.

Fedfina's capital adequacy ratio (CAR) stood at 22.40% in Q1 FY26, with a Tier 1 CAR of 19.82%, comfortably above regulatory requirements. CareEdge Ratings expects Fedfina to maintain a comfortable capitalisation profile with net gearing not expected to exceed 4.5x in the medium term through timely capital raising to support business growth.

Profitability moderated in FY25, Q1FY26 recovery driven by lower credit costs

Disbursements increased to ₹18,788 crore in FY25 (FY24: ₹13,579 crore), driving a 28% increase in total income to ~₹2,080 crore. Net interest income (NII) rose 32% to ~₹1,071 crore in FY25, aided by higher yields on advances (~17.6% against ~16.4% in FY24). Pre-provision operating profit (PPOP) improved to ₹520 crore in FY25 (FY24: ₹394 crore), reflecting scale benefits. However, credit costs rose significantly to ₹216 crore in FY25 (1.8% of average assets against 0.7% in FY24), primarily due to stress in small ticket loan against property (LAP), leading to higher provisioning. Consequently, profit after taxation (PAT) declined to ₹225 crore in FY25 from ₹245 crore in FY24, with ROTA moderating to 1.9% (FY24: 2.5%). Earnings also remain sensitive to upfronting income from direct assignment (DA) transactions, which contributed ~50% of profit before taxation (PBT) in FY25 (FY24: ~28%) providing capital relief and supports profitability but introduces earnings volatility, particularly in periods of lower sell-downs.

In Q1FY26, PAT recovered to ₹75 crore with an annualised ROTA of 2.3%, supported by stable credit costs (0.8%) and lower cost of funds (~8.5%). However, given that the LAP portfolio remains relatively unseasoned and asset-side stress could elevate credit costs. Sustained improvement in profitability will depend on Fedfina's ability to contain credit costs, manage operating efficiency in branch expansion, and gradually reduce dependence on DA income.

Improving scale of operations, pivot towards fully secured lending

Fedfina's scale of operations has scaled up significantly since FY19. Its assets under management (AUM) grew from ₹1,429 crore in FY18 to ~₹15,812 crore as on March 31, 2025, registering a compound annual growth rate (CAGR) of ~41% over the period. As on June 30, 2025, AUM stood at ~₹15,697 crore. The portfolio is fully retail-focused and has undergone a shift towards secured lending. As of June 2025, gold loans formed largest share accounting for 40.34% of AUM (PY: 34.59%) followed by medium-ticket LAP at 30.66% (PY: 24.47%), small-ticket LAP at 17.90% (PY:18.96%), home loans at 5.84% (PY:6.49%) while unsecured business loans declined to 3.94% (PY: 14.14). The unsecured business loan segment is being run down, with ~₹770 crore assigned in Q1FY26, releasing capital for deployment in secured segments.

AUM includes off-balance sheet exposures (DA transactions and co-lending) comprising 25.53% of AUM as on June 30, 2025 (PY: 20.66%) These primarily comprised gold loans (~₹2,544 crore) and mortgage loans (~₹1,148 crore), with ~₹348 crore in residual unsecured business loans (UBL). The company plans to gradually reduce the share of off-book assets in the medium term.

The company has realigned its growth strategy around gold loans and LAP. Gold loan growth is supported by rising gold prices, higher tonnage, improvement in branch-level productivity, branch expansion (including co-location with LAP branches) and cashless disbursements in line with RBI regulations. Within LAP, focus remains on self-occupied properties with 82.3% of mortgage

AUM, secured against such assets. Portfolio quality is supported by the high proportion of secured exposures (~98% of the book post UBL exit) and conservative loan-to-value ratios (gold loans at 71.4%, medium-ticket LAP at 52.9%, and small-ticket LAP at 50.7%).

Going forward, Fedfina's ability to sustain growth in its secured book, while maintaining stable asset quality and profitability amid competitive pricing pressures and sectoral headwinds in LAP, will remain a key monitorable.

Key weaknesses

Asset quality and portfolio performance in non-gold portfolio monitorable

Fedfina's asset quality moderated, with gross non-performing assets (GNPA) rising to 2.02% as on March 31, 2025, from 1.66% a year earlier while net NPA (NNPA) remained stable at 1.22% (FY24: 1.33%). As on June 30, 2025, GNPA and NNPA continued to remain stable at 1.99% and 1.24% respectively.

Segment wise performance shows divergent trends. Gold loans accounting for ~44.35% on book portfolio, continue to demonstrate strong resilience with GNPA contained at 0.32% as on June 30, 2025 (March 31, 2025: 0.35%, March 31, 2024: 0.80%). Medium-ticket LAP also improved with GNPA declining to 1.89% (March 31, 2025: 2.00%, March 31, 2024: 2.38%), aided by tighter underwriting and more established borrower base. In contrast, stress persists in other segments. Unsecured business loans (UBL) saw GNPA rise sharply to 4.33% as on June 30, 2025 (FY25: 2.24%), reflecting smaller base as the company gradually exited this product. Home loans though still a small part of book reported higher GNPA at 5.78% (FY25: 5.22%). Small-ticket LAP also remained under pressure with GNPA at 4.88% (FY25: 4.77%), reflecting challenges in borrower cash flow profiles.

While gold loans have a behavioural tenor of 3-4 months, LAP products have longer behavioural tenor of 5-6 years making them more exposed to cash flow-linked stress. CareEdge Ratings notes that while consolidated asset quality metrics remain stable, the seasoning and performance of the small-ticket LAP will remain key monitorable, given its relatively higher delinquency trends and sensitivity to borrower repayment capacity.

Persisting geographic concentration

Over the years, the company has been expanding its branch footprint from 359 in FY21 to 621 in FY24, which further increased to 668 branches in Q1FY26 across 18 states and union territories (UTs). Despite expansion, geographic concentration persists, with Maharashtra, Karnataka, and Tamil Nadu together forming ~49.19% of AUM (PY: 51.1%). The company plans to add 100+ branches in FY26, and its ability to scale operations while reducing regional concentration and sustaining asset quality in newer markets will remain a key monitorable.

Resource profile skewed towards bank funding

As on June 30, 2025, Fedfina's borrowings stood at ₹10,162 crore, predominantly comprising term loans/external commercial borrowing (ECB)/short-term loans (STL), which accounted for 87.5% of total debt. The balance was supported by working capital lines (3.7%), non-convertible debentures (NCDs) (3.4%), commercial paper (1.0%), and subordinated debt (4.4%). The funding mix reflects a high reliance on bank borrowings while limited diversification across capital market instruments constrains financial flexibility. Borrowing concentration also persists, with top three lenders contributing ~33.5% of total borrowings.

The company's ability to diversify its funding sources and continue to optimise funding costs will remain a key monitorable.

Liquidity: Strong

As on June 30, 2025, the company maintained total liquidity of ~₹1033 crore comprising cash and bank balances (including fixed deposits) of ₹829 crore and liquid investments of ₹203 crore. It also has undrawn sanctioned credit lines of ₹1,981 crore and expected inflows from advances (including interest income) of ₹6277 crore in the next one year against scheduled repayments (including interest income) of ₹4149 crore. Liquidity is further supported by the gold loan portfolio, which forms 40.3% of AUM and has a short behavioural tenor of three to four months, enabling quick churn. Overall, the company's liquidity profile appears adequate to meet debt obligations in the next one year. CareEdge Ratings also takes comfort from its financial flexibility as a subsidiary of FBL, with parent support expected, when required.

Environment, social, and governance (ESG) risks

Environmental: Although Fedfina's service-oriented business model limits its direct exposure to environmental risks, credit risk may arise if operations of asset class of the portfolio are adversely impacted by environmental factors. The company follows a digital-first model, reducing paper and energy use, and practices waste segregation and recycling. Fedfina has reported a 24.7%

reduction in Scope 1 and 2 emission intensity per rupee of turnover. It also has adopted Green Building practices to optimise natural light and reduce energy consumption by 20–40%. Employee awareness on energy conservation further reinforces its sustainability efforts.

Social: Social risks in the form of cybersecurity threat or customer data breach or mis-selling practices can affect Fedfina's regulatory compliance and reputation and hence remain a key monitorable. The company's business model supports financial inclusion by catering to underpenetrated customer segments. On operational side, it has strengthened its data protection and cybersecurity framework to mitigate risks from growing cyber threats. Employee well-being is supported through health insurance, parental leave, and accident protection. Further, training on POSH, anti-money laundering (AML), and ethics has been extended across its workforce, complemented by a nationwide grievance redressal mechanism, reinforcing compliance and governance standards.

Governance: As on June 30, 2025, the Board consisted of 10 Directors, including two women Directors, with Independent Directors accounting for 50% of the Board's composition. The company's governance practices are further reinforced through the functioning of multiple Board-level committees and strict adherence to applicable Secretarial Standards.

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Short Term Instruments](#)

[Non Banking Financial Companies](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Non-banking financial company (NBFC)

Fedfina is a non-deposit accepting, systemically important non-banking finance company (NBFC-ND-SI). The company was incorporated in Kerala in April 1995 and commenced operations in August 2010, after receiving the non-banking financial company (NBFC) license from the Reserve Bank of India (RBI).

Fedfina is a retail-focused NBFC promoted by FBL, which is a commercial bank with significant presence in the private sector. Until September 30, 2023, FBL had a 73.22% stake in Fedfina along with True North Fund, a renowned private equity (PE) firm based in Mumbai, having 25.72% stake through its fund (True North Fund VI LLP). After completion of the IPO on November 30, 2023, FBL now holds 61.03% stake with True North holding 8.66% stake in the company. Fedfina is primarily engaged in the lending business with a diversified portfolio of gold loans, LAP, home loans and unsecured business loans with an AUM of ₹15,697.25 crore as of June 30, 2025. Its operations span across 18 states and union territories with a branch network of 668 as of June 2025.

Standalone financials of Fedfina

Brief Financials (₹ crore)	31-03-2024	31-03-2025	30-06-2025
	A	A	UA
Total income	1,623.00	2,079.82	520.36
PAT	244.70	225.18	75.01
Interest coverage (times)	1.54	1.41	1.52
Adjusted Total assets*	11,019.04	13,235.44	13,241.60
Net NPA (%)	1.33%	1.22%	1.24%
ROTA (%)	2.45%	1.86%	2.27% [§]

A: Audited UA: Unaudited; Note: these are latest available financial results

*Total Assets (-) Deferred Tax Assets (-) Intangibles

[§]Annualised

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Non Convertible Debentures	INE007N07041	26-Jun-2023	3M SBI MCLR	26-Jun-2027	200.00	CARE AA+; Stable
Debentures-Non Convertible Debentures (Proposed)	-	-	-	-	262.50	CARE AA+; Stable
Debt-Subordinate Debt	INE007N08023	26-May-2023	9.00	26-Apr-2030	200.00	CARE AA+; Stable
Debt-Subordinate Debt (Proposed)	-	-	-	-	150.00	CARE AA+; Stable
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	-	-	-	18-Apr-2039	4609.80	CARE AA+; Stable / CARE A1+
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC (Proposed)	-	-	-	-	2890.20	CARE AA+; Stable / CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Debentures-Non Convertible Debentures	LT	12.50	CARE AA+; Stable	-	1)CARE AA+; Stable (09-Oct-24)	1)CARE AA+; Stable (08-Jan-24) 2)CARE AA; Stable (06-Oct-23) 3)CARE AA; Stable (12-May-23)	1)CARE AA; Stable (27-Dec-22)
2	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	7500.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (09-Oct-24)	1)CARE AA+; Stable / CARE A1+ (08-Jan-24) 2)CARE AA; Stable / CARE A1+ (06-Oct-23) 3)CARE AA; Stable / CARE A1+ (12-May-23)	1)CARE AA; Stable / CARE A1+ (27-Dec-22)
3	Debt-Subordinate Debt	LT	350.00	CARE AA+; Stable	-	1)CARE AA+; Stable (09-Oct-24)	1)CARE AA+; Stable (08-Jan-24) 2)CARE AA; Stable (06-Oct-23)	-

							3)CARE AA; Stable (12-May-23)	
4	Debentures-Non-Convertible Debentures	LT	200.00	CARE AA+; Stable	-	1)CARE AA+; Stable (09-Oct-24)	1)CARE AA+; Stable (08-Jan-24) 2)CARE AA; Stable (06-Oct-23) 3)CARE AA; Stable (12-May-23)	-
5	Debentures-Non-Convertible Debentures	LT	250.00	CARE AA+; Stable	-	1)CARE AA+; Stable (09-Oct-24)	1)CARE AA+; Stable (08-Jan-24) 2)CARE AA; Stable (06-Oct-23)	-

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non-Convertible Debentures	Simple
2	Debt-Subordinate Debt	Complex
3	LT/ST Fund-based/non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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