

IKF Home Finance Limited

July 02, 2026

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	1,840.00	CARE AA-; Stable	Upgraded from CARE A+; Stable
Non-convertible debentures	40.00	CARE AA-; Stable	Upgraded from CARE A+; Stable
Non- convertible debentures	60.00	CARE AA-; Stable	Upgraded from CARE A+; Stable

Details of instruments/facilities in Annexure-1.

The list of facilities / instruments falling under the purview of various financial sector regulators (FSRs), along with the names of respective FSRs has been disclosed under Annexure-6.

Rationale and key rating drivers

Upgrade in ratings to bank facilities and instruments of IKF Home Finance Limited (IKFHF) reflects the strengthened credit profile of its parent, IKF Finance Limited (IKF), following the revision of the parent's rating from CARE A+; Stable to CARE AA-; Stable.

Rating to bank facilities and debt instruments of IKFHF continues to benefit from strong parental support, evidenced by cumulative capital infusions of ₹196 crore in FY26, and its transition to a wholly owned subsidiary effective September 30, 2025. These infusions have significantly enhanced the company's capitalisation, with tangible net worth (TNW) increasing to ₹491 crore as of March 31, 2026 (from ₹245 crore as of March 31, 2025), leading to an improvement in gearing to 2.37x as on March 31, 2026 from 4.44x as on March 31, 2025. Rating also factors in synergies derived from business linkages, shared brand identity, infrastructure, treasury operations, and continued financial and managerial support from the parent.

IKFHF's assets under management (AUM) stood at ₹1,908 crore as on March 31, 2026, registering growth of 29% in the year and a five-year compounded annual growth rate (CAGR) of 46% leading to improvement in scale of operations. Profitability remained stable, with return on average total assets (ROTA) at 3.19% in FY26 compared to 2.89% in FY25, supported by higher net interest margins and income from direct assignment (DA) transactions.

However, rating remains constrained by IKFHF's limited operational track record, low portfolio seasoning, a concentrated funding profile, and regional concentration. It also factors in inherent risks associated with its borrower base, which largely comprises self-employed individuals in the informal segment.

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 the credit risk profile of the parent, IKF.
- Improvement in the scale of operations with sustained profitability while maintaining good asset quality.

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

- Weakening credit risk profile of the parent, IKF.
- Material dilution in the shareholding of IKF
- Moderation in gearing levels with overall gearing exceeding 5x on a sustained basis.

Analytical approach: Standalone; factoring in linkages with the parent, IKF. IKFHF is a subsidiary of IKF and has strong management, operational and financial linkages with its parent company.

Outlook: Stable

The stable outlook reflects expectations of continued strong support from the parent enabling the company to expand loan portfolio while maintaining stable financial metrics.

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 with business synergies, operational, and financial linkages

IKFHF is a wholly owned subsidiary of IKF and holds strategic importance within the IKF group. The company benefits significantly from the parent–subsidiary relationship, with IKF extending management and operational support through its established branch network, risk management systems, and loan sourcing capabilities. IKFHF also leverages the common 'IKF' brand name and enjoys access to the group treasury, enabling it to mobilise resources at competitive rates from banks, financial institutions, and capital markets. IKFHF's majority branches are co-located with those of the parent, further strengthening operational synergies.

CARE Ratings Limited (CareEdge Ratings) notes that IKF's shareholding in IKFHF increased to 100% in H1FY26 and stood at 100% as on September 30, 2025, from 90.55% as on March 31, 2025, making it a wholly owned subsidiary. IKF has demonstrated consistent financial support to IKFHF, with total capital infusion aggregating of ₹346 crore till FY26, with ₹196 crore infused in FY26. CareEdge Ratings expects such support from the parent to continue going forward, underscoring IKFHF's strategic relevance to the group.

Established in 2002, IKFHF is spearheaded by VGK Prasad, who serves on the boards of IKF and IKFHF. With over three decades of experience in the asset financing business, he has built a strong track record in the auto finance segment and cultivated a wide industry network, which positively contributed to the group's business operations. IKFHF is led by Vasantha Lakshmi, Managing Director, who brings nearly a decade of experience in asset financing across sales, credit, and manpower management. The company is further supported by a qualified and experienced management team.

Comfortable capitalisation levels with regular equity infusion from the parent

As on March 31, 2026, IKFHF reported a capital adequacy ratio (CAR) and Tier-I CAR of 45.65% and 44.47%, respectively, compared to 27.79% and 26.54% as on March 31, 2025, remaining well-above the regulatory requirement of 15% and 10% respectively. Gearing improved to 2.37x as on March 31, 2026, compared to 4.44x as on March 31, 2025, led by the latest infusion.

The company's robust capital base provides a strong cushion to absorb elevated operating costs in its growth and scaling phase, and unforeseen losses arising from an evolving business environment. CareEdge Ratings expects IKFHF to continue receiving equity support from its parent going forward, reinforcing its strategic importance within the group.

Moderate asset quality

IKFHF has maintained stable asset quality, though some moderation was observed in FY26. Gross non-performing asset (GNPA) and net NPA (NNPA) stood at 1.65% and 1.09%, respectively, as on March 31, 2026, compared to 1.23% and 0.71% as on March 31, 2025.

Delinquencies worsened across all buckets in FY26, with 30+ days past due (DPD) and 60+ DPD increasing to 5.84% and 3.02%, respectively, as of March 31, 2026, compared to 3.97% and 2.16% as on March 31, 2025. Moderation in asset quality was mainly driven by attrition within the collections team and spillover of stress from the unsecured portfolio into lower-ticket secured loans. To address these challenges, the company appointed a new Head of Collections to enhance oversight and strengthen recovery efforts. Despite the moderation observed as of March 31, 2026, compared with the previous year, the improvement in early-stage delinquencies during H2FY26 is expected to support stable asset quality indicators going forward.

Going forward, the company's ability to maintain asset quality while expanding into new geographies will be critical to its earnings profile. CareEdge Ratings notes that portfolio seasoning remains low due to the longer-tenure nature of loans, and performance across economic cycles and regions is yet to be established. With a borrower base largely comprising self-employed individuals in the informal low- and middle-income segment, asset quality remains highly susceptible to adverse economic developments.

Stable profitability aided by improved NIMs and income from DA transactions

In FY26, IKFHF reported a profit after tax (PAT) of ₹49 crore on a total income of ₹277 crore, compared to a PAT of ₹34 crore on a total income of ₹209 crore in FY25. Income from DA transactions stood at 6% of the total income in FY26. Net interest margin (NIM) improved to 7.46% in FY26 from 6.54% in FY25, driven by recent equity infusion and higher portfolio yields in FY26. Operating expenses to average assets remained largely stable at 5.89% (FY25: 5.69%), while credit costs declined to 0.62% from 0.81% due to lower provisioning in FY26. Consequently, ROTA improved to 3.19% from 2.89% in FY25. However, return on tangible net worth (RONW) moderated to 13.38% in FY26 from 14.77% in FY25, largely due to recent equity infusions.

CareEdge Ratings expects profitability to remain consistent over the medium term, driven by continued growth. However, rising operating costs from network expansion and the company's ability to contain slippages and maintain asset quality will remain key monitorable.

Key weaknesses

Limited track record and small scale of operations with geographically concentrated portfolio

IKFHF commenced operations in FY17 and given the long-tenure nature of its loan products, continues to have a relatively limited operating track record. Although AUM has grown steadily, overall scale remains modest, with AUM at ₹1,908 crore as on March 31, 2026 (₹1,477 crore as on March 31, 2025).

While the company expanded into Maharashtra and Gujarat, its portfolio remains regionally concentrated in South India. Telangana accounted for 40% of AUM as on March 31, 2026 (37% as on March 31, 2025), with the southern states of Telangana, Andhra Pradesh, Tamil Nadu, and Karnataka collectively contributing 80% of the AUM. This regional concentration is expected to persist in the medium term.

Concentrated resource profile

The company's borrowing profile remains concentrated towards bank loans, which accounted for 69% of the total borrowings as on March 31, 2026 (64% as on March 31, 2025). Non-banking financial companies (NBFC) borrowings constituted 10% of the total borrowings as on March 31, 2026, improved from 15% as on March 31, 2025, while securitisation, National Housing Bank (NHB) borrowings, non-convertible debentures (NCD) formed 6%, 10% and 4%, respectively, as on March 31, 2026. (March 31, 2025: Securitisation funds: 8%; NHB Borrowings: 7%; NCD: 6%).

The company benefits from an integrated treasury arrangement with its parent, IKF, enabling access to funds at competitive rates. This support is expected to strengthen IKFHF's funding profile by leveraging the parent's established relationships with banks and financial institutions, while aiding asset-liability management given the longer-tenure nature of housing loans against shorter-tenure funding sources.

Inherent risk associated with borrower class

IKFHF primarily caters to self-employed customers in the informal low- and middle-income segment. The company operates at an average yield of ~16%; however, this borrower profile is inherently vulnerable to economic cycles, exposing the portfolio to higher credit risk. As on March 31, 2026, self-employed customers constituted 72% of the portfolio, with the remaining 28% comprising salaried individuals. Going forward, the company's ability to contain credit costs while sustaining yields, maintaining asset quality, and scaling operations will remain a key monitorable.

Liquidity: Adequate

IKFHF's liquidity profile stands adequate with no negative cumulative mismatches reported across all time buckets. As on March 31, 2026, the company had unencumbered cash and cash equivalents of ₹22.34 crore, which is sufficient for one month's debt repayment. The company also had unutilised sanctions of ₹322 crore as on May 2026. CareEdge Ratings expects IKFHF to effectively address its liquidity requirements, supported by its parent through timely infusions of equity or debt funding.

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Housing Finance Companies](#)

[Factoring Linkages Parent Sub JV Group](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Housing finance company

The housing finance arm of IKF, IKFHF was incorporated in August 2002 as IKF Financial Services Private Limited. IKFHF initially incorporated by its promoters as an associate company of IKF, the group's flagship entity, and a non-deposit-taking NBFC engaged in asset financing across commercial vehicles, construction equipment, and the small and medium enterprise (SME) segment. In

December 2018, IKF acquired majority stake in IKFHF. As on September 30, 2025, IKF Finance Limited holds a 100% stake in IKFHF.

IKFHF is primarily engaged in offering home loans and LAP. The company has established its presence across Andhra Pradesh, Telangana, Karnataka, Tamil Nadu, Maharashtra, and Gujarat. As on March 31, 2026, IKFHF reported an AUM of ₹1,907.68 crore, with 72% of the portfolio, catering to self-employed customers and the remaining 28% to salaried individuals.

Brief Financials (₹ crore)	31-03-2024	31-03-2025	31-03-2026
Standalone	A	A	A
Total income	147.72	212.57	276.77
Profit after tax (PAT)	23.67	33.76	49.20
Assets under management (AUM)	1,049.00	1,476.87	1,907.68
On-book gearing (x)	3.37	4.44	2.37
AUM / tangible net-worth (TNW) (x)	4.94	6.00	3.89
Gross stage 3 (%)	0.76	1.23	1.65
Return on managed assets (ROMA) (%)	2.50	2.44	2.61
Capital adequacy ratio (CAR) (%)	32.88	27.79	45.65

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

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	INE02VP08022	31-Aug-2023	10.85	31-Aug-2026	40.00	CARE AA-; Stable
Debentures-Non-Convertible Debentures	INE02VP07065	24-Dec-2024	9.80	24-Mar-2028	60.00	CARE AA-; Stable
Fund-based - LT-Cash Credit	-	-	-	-	40.00	CARE AA-; Stable
Fund-based - LT-Term Loan	-	-	-	01-Apr-2036	1800.00	CARE AA-; Stable

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 2026-2027	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
1	Fund-based - LT-Term Loan	LT	1800.00	CARE AA-; Stable	-	1)CARE A+; Stable (30-Dec-25)	1)CARE A; Stable (31-Dec-24) 2)CARE A-; Stable (26-Sep-24)	1)CARE A-; Stable (29-Sep-23)
2	Fund-based - LT-Cash Credit	LT	40.00	CARE AA-; Stable	-	1)CARE A+; Stable (30-Dec-25)	1)CARE A; Stable (31-Dec-24) 2)CARE A-; Stable (26-Sep-24)	1)CARE A-; Stable (29-Sep-23)
3	Debentures-Non-Convertible Debentures	LT	6.67	CARE AA-; Stable	-	1)CARE A+; Stable (30-Dec-25)	1)CARE A; Stable (31-Dec-24) 2)CARE A-; Stable (26-Sep-24)	1)CARE A-; Stable (29-Sep-23)
4	Debentures-Non-Convertible Debentures	LT	33.33	CARE AA-; Stable	-	1)CARE A+; Stable (30-Dec-25)	1)CARE A; Stable (31-Dec-24) 2)CARE A-; Stable (26-Sep-24)	1)CARE A-; Stable (29-Sep-23)
5	Debt-Subordinate Debt	LT	-	-	-	-	-	1)Withdrawn (29-Sep-23)
6	Debentures-Non-Convertible Debentures	LT	60.00	CARE AA-; Stable	-	1)CARE A+; Stable (30-Dec-25)	1)CARE A; Stable (31-Dec-24) 2)CARE A-; Stable (26-Sep-24)	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated:** Not applicable

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non-Convertible Debentures	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)**Annexure-6: List of facilities/instruments and FSRs**

As required by SEBI Circular dated February 10, 2026, to Credit Rating Agencies (CRAs), the list of activities or instruments falling under the purview of various FSRs, along with the names of respective FSRs, is disclosed below:

Sr. No.	Facilities/Instruments Name	Regulator of the Instruments ²
1.	Listed / Proposed to be Listed Bonds / Debentures / Preference Shares (All Securities)	SEBI
2.	Unlisted / Proposed to be Unlisted Bonds / Debentures / Preference Shares (All Securities)	MCA
3.	Listed PTCs / Securitisation Notes (Originated by Entities Regulated by RBI) *	SEBI
4.	Listed PTCs / Securitisation Notes (Originated by Entities Not Regulated by RBI) *	SEBI
5.	Unlisted PTCs / Securitisation Notes (Originated by Entities Regulated by RBI) *	RBI
6.	Listed Commercial Paper and NCDs with Original Maturity Less Than 1 Year	RBI
7.	Unlisted Commercial Paper and NCDs with Original Maturity Less Than 1 Year	RBI
8.	Loan Facilities (Fund / Non-Fund Based) From Banks / NBFCs / NHB / FIs ^	RBI
9.	External Commercial Borrowings and Other Similar Borrowings	RBI
10.	Certificates of Deposit	RBI
11.	Fixed Deposits Raised by Banks, NBFCs, HFCs, Fis	RBI
12.	Fixed Deposits Raised by Corporates Other Than Banks, NBFCs, HFCs, FIs	MCA
13.	Inter Corporate Deposits / Loans Extended by Corporates	MCA
14.	Borrowing Programme ~	-
15.	Issuer Ratings #	-
16.	Credit Ratings for Capital Protection Oriented Schemes (By Mutual Funds and AIFs)	SEBI
17.	Credit Quality Ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
18.	Listed Security Receipts	SEBI
19.	Unlisted Security Receipts	RBI
20.	Independent Credit Evaluation (ICE)	RBI
21.	Expected Loss Ratings (For Loan Facilities (Fund / Non-Fund Based) from Banks / NBFCs / NHB / FIs)	RBI
22.	Expected Loss Ratings (Listed / Proposed to be Listed Bonds / Debentures / Preference Shares (All Securities))	SEBI
23.	Expected Loss Ratings (Unlisted / Proposed to be Unlisted Bonds / Debentures / Preference Shares (All Securities))	MCA
24.	Unlisted PTCs / Securitisation Notes (Originated by Entities Not Regulated by RBI) *	Investor-side regulator such as IRDAI, PFRDA @

* Includes securitisation transactions involving assignee payout, acquirer's payout.

²SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority

~ The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), among others. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In the press releases subsequent to issuance(s), CareEdge Ratings shall separately capture the rated quantum details along with names of respective regulators.

^ Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

@ These ratings were assigned in regulatory regime prior to introduction of SEBI CRA Circular dated February 10, 2026, and the investor side regulators have accordingly been included.

Note: For facilities / instruments falling under the purview of FSRs other than SEBI, the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

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.

Contact Us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Pradeep Kumar V Senior Director CARE Ratings Limited Phone: 044-28501001 E-mail: pradeep.kumar@careedge.in	Analytical Contacts Sanjay Agarwal Senior Director CARE Ratings Limited Phone: +91-22-6754 3500 E-mail: Sanjay.Agarwal@careedge.in Vineet Jain Senior Director CARE Ratings Limited Phone: +91-22-6754 3623 E-mail: vineet.jain@careedge.in Akansha Akshay Jain Associate Director CARE Ratings Limited Phone: +91-22-6754 3491 E-mail: akansha.jain@careedge.in
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