

India Ratings Rates Electronica Finance's Additional Bank Loan Facilities at 'IND A/Stable; Affirms Existing Ratings

Jan 06, 2026 | Non Banking Financial Company (NBFC)

India Ratings and Research (Ind-Ra) has taken the following ratings actions on Electronica Finance Limited's (EFL) 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*	-	-	-	INR970	IND A/Stable	Assigned
Bank loan facilities	-	-	-	INR25,500	IND A/Stable	Affirmed
Non-convertible debentures*	-	-	-	INR3,596	IND A/Stable	Affirmed

*Details in annexure

Analytical Approach

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

Detailed Rationale of the Rating Action

The ratings reflect EFL's 30-year operating history in machine financing (MF), which accounted for 69.7% of its assets under management (AUM) as of 1HFY26. The ratings are supported by a leverage ratio of 3.2x and adequate capitalisation, with a capital adequacy ratio of 20.8% in 1HFY26. The share of micro loan against property (micro-LAP) segment—a high-yielding product—fell to 15.77% as of 1HFY26; however, this segment also contributed to overall delinquencies, making its performance a key rating monitorable. Additionally, the ratings factor in EFL's diversified funding profile, comprising a mix of long-term liabilities aligned with the tenor of its asset book, and the ability to generate liquidity through loan securitisation or co-lending. The company's ability to expand the franchisee while maintaining its asset quality in the current macro-economic environment will be a key rating monitorable.

List of Key Rating Drivers

Strengths

- Adequate capitalisation for current scale of operations
- Expertise in machine financing; business diversification currently on hold
- Established underwriting systems and processes
- Diversified funding profile

Weaknesses

- Performance of micro-LAP book and new segments key monitorable

Detailed Description of Key Rating Drivers

Adequate Capitalisation for Current Scale of Operations: EFL's capitalisation levels remain adequate for current scale of operations, with a tier-1 capital ratio of 19.2% in 1HFY26 and a capital to risk (weighted) assets ratio (CRAR) of 20.8% following a Series B equity raise of INR4,000 million. This substantial capital injection has significantly strengthened the company's financial foundation, enabling it to pursue growth opportunities more aggressively. As a result, the company's leverage ratio (debt/tangible equity) improved to 3.2x in 1HFY26 (FY25: 3.1x; FY24: 4.6x; FY23: 4.4x; FY22: 3.1x). Encourage Capital held about 16.82% stake on a fully diluted basis in EFL as on 30 September 2025, reflecting investor confidence.

EFL's tangible net worth surged to INR8,540.78 million in 1HFY26 (FY25: INR8,285 million; FY24: INR4,256 million), primarily driven by significant investments from key stakeholders. Leapfrog Investments injected INR3,000 million to secure a 20.78% stake on a fully diluted basis. Similarly, Aavishkaar Capital invested INR1,000 million for a 6.31% stake on a fully diluted basis, further bolstering the company's capital base. The increased capital buffer will help absorb potential asset quality issues, providing a cushion against any adverse economic conditions. The management plans to raise another INR4,000 million-5,000 million in the next five-to-six months primarily from international investors, which will further help to bolster growth.

Expertise in MF; Business Diversification on Hold: As on 30 September 2025, EFL's total AUM grew 19.5% yoy to INR50.76 billion (September 2024: INR42.46 billion; FY24: INR37.77 billion; FY23: INR29.05 billion; FY22: INR19.89 billion), comprising INR39.95 billion on its own balance sheet and the remainder as off-book AUM. EFL has an established track record of nearly three decades in MF, providing it with a competitive edge through deep understanding of machine functionality and resale value. The company benefits from long-standing relationships with suppliers and borrowers, as reflected in the significant share of repeat business, which contributes 38%-45% of incremental disbursements.

The company operates across 15 states, with nearly half of its portfolio concentrated in Maharashtra, Gujarat, and Tamil Nadu, highlighting its strong presence in key markets. MF continued to be a significant part of EFL's portfolio, with a share of 70% in its total AUM at INR35.36 billion as of September 2025 (FY25: 67.4%; FY24: 65%; FY23: 67%; FY22: 74%).

Due to macroeconomic stress encountered especially in the micro- LAP sector, primarily driven by customer overleveraging, EFL's management has decided to reduce the share of micro-LAP and focus on improving asset quality in this segment rather than pursuing aggressive growth in the short term. EFL has diversified its product mix to meet various borrower needs, offering MF, LAP, micro-LAP, institutional lending, and solar financing. The share of micro-LAP in AUM moderated to 15.7% as of September 2025 (FY25: 17.4%; FY24: 19.4%; FY23: 18%), due to muted disbursements in FY26. In recent years, EFL has transitioned from rapid branch expansion to a consolidation strategy aimed at reducing geographic overlaps and improving operational efficiency. This exercise included the closure of certain loss-making branches, resulting in its network falling to 200 branches as of September 2025.

EFL sees strong growth potential in industrial and solar financing, supported by demand and low competition. Over the medium term, EFL expects the non-MF book to contribute 25%-30% to AUM (1HFY26: 30.3%; FY25: 32.6%), led by solar financing and micro-LAP. These segments, however, have a relatively limited track record compared to MF and are still evolving with scale. Consequently, underwriting quality and asset performance in these products will remain key rating monitorable. Ind-Ra believes that the spreads earned from its core product will drive its profitability in the near to medium term.

Established Underwriting Systems and Processes: EFL's longstanding presence in MF has reinforced its capabilities across sourcing, underwriting, monitoring, and recovery, with lending practices anchored in micro, small, and medium enterprises (MSME) cash-flow assessment. To mitigate default risk, the company primarily finances standardised machines and maintains exclusive charge over them. Strong partnerships with equipment suppliers enable EFL to originate business without reliance on direct-selling agents and facilitate asset liquidation, when required. The management has further strengthened underwriting and collection strategies for the micro-LAP segment, including a shift toward slightly higher ticket sizes (INR1 million-1.5 million) and industrial customers engaged in value-added manufacturing. Despite asset quality pressures in the micro-LAP segment, the MF portfolio remained resilient, reflected in low delinquencies with the portfolio at risk for 30+ days past due (PAR30+) at 1.04% as on 30 September 2025.

Diversified Funding Profile: EFL's vintage has enabled it to raise funds from diversified sources, i.e. public sector banks, private sector banks, foreign portfolio investors, development financial institutions, along with large non-banking financial companies (NBFCs). EFL raises funds from these sources through term loans (1HFY26: 58.6%; FY25: 57.7%; FY24: 58%; FY23: 70%); working capital loans (1HFY26: 1.3%; FY25: 2.6%; FY24: 1.5%), direct assignments, pass-through certificates and co-lending (1HFY26: 25%; FY24: 26%) and NCDs (14%; 15.2%; 15.3%). Its funding from banks and NBFCs accounted for 88% of the outstanding borrowing at FY25 (FY24: 85%; FY22: 87%; FY21: 84%), with a well-diversified base of about 39 lenders, including 11 public sector banks, 12 private banks, and eight NBFCs and others. The management plans to reduce its dependence on off-balance sheet financing and will continue to focus on term loans for raising funds in FY26.

Around 40% of the machines funded by EFL are green machines. The company has also ventured into solar rooftop financing. Both these factors can enable the company to access a wider universe of lenders such as development finance institutions and impact funds. The anticipated foray into these green products can enhance its environmental, social, and governance (ESG) credentials, thereby broadening its investor base.

Performance of Micro-LAP Book and New Segments Key Monitorable: EFL has maintained reasonable asset quality, with its current collection efficiency moderating to 86% in 1HFY26 (FY25: 89%) but stood at 87%-92% during FY24. The gross NPA increased to 3.09% in 1HFY26 (FY25: 1.98%; FY24: 1.45%; FY23: 1.08%), primarily due to stress in the micro-LAP segment, particularly in Madhya Pradesh, Gujarat, and Rajasthan. The PAR30+ in this segment rose to 19.38% in 1HFY26 (FY25: 12.75%; FY24: 5.55%), due to asset quality pressures and the denominator effect of a declining share of micro-LAP in the overall AUM. The PAR90+ in this segment rose to 11.77% in September 2025 (March 2024: 3.96%). However, the asset quality in the MF portfolio has supported overall portfolio quality, with PAR90+ at 2.5% at overall portfolio level as of September 2025. Any deterioration in the MF book could exert pressure on the overall asset quality.

The company's ability to sustain its provision coverage ratio (1HFY26: 46.97%; FY25: 47.6%) and manage asset quality will remain a key monitorable. Additionally, inflationary pressures could increase working capital requirements for MSME borrowers, straining their cash flows. The performance of the micro-LAP portfolio, particularly as loans season, will be critical in determining EFL's asset quality trajectory.

Liquidity

Adequate: As per the asset and liability management statement as on 30 September 2025, EFL had cumulative liquidity surplus in all its buckets. The company has undrawn sanction limits of around INR1,057.9 million as on 30 September 2025. Furthermore, as on 30 September 2025, the company's liquidity levels stood at INR5,916.1 million. The company keeps liquidity in form of fixed deposits and liquid investments, which is sufficient to cover three months of debt repayment without considering inflow from advances.

Rating Sensitivities

Positive: The company's ability to scale up the franchise while managing its asset quality and profitability, diversification of funding by raising money through capital market instruments and prudent management of liquidity will result in a positive rating action.

Negative: Sustained deterioration in the liquidity buffers, higher-than-expected credit costs, leverage exceeding 4.5x on a sustained basis and the weakening of its operating profit buffers beyond Ind-Ra's expectations will result in a negative rating action.

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 EFL, 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

Pune-based EFL is a non-deposit taking NBFC engaged in asset financing since 1990. The company extends loans to MSME for various needs such as working capital, MF and property backed financing and solar financing. EFL also finances NBFCs/microfinance institutions and micro-LAP loans. The company had a presence in industrial clusters for MSME customers and in tier 2 and tier 3 cities for micro-LAP segment across 15 states through 200 branches at end-September 2025.

Key Financial Indicators

Particulars	1HFY26	FY25	FY24
Total assets (INR billion)	40.82	37.91	27.33
AUM (INR billion)	50.76	48.43	37.77
Total equity* (INR billion)	8.54	8.28	4.25
Profit after tax (INR billion)	0.20	0.47	0.63
Return on average assets (%)	1.03	1.45	2.60

Source: Ind Ra, Company
*Equity adjusted for intangible assets and deferred tax assets

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook											
	Rating Type	Rated Limits (million)	Rating	26 December 2025	22 July 2025	27 March 2025	23 December 2024	12 July 2024	12 March 2024	22 November 2023	21 September 2023	28 June 2023	23 December 2022	11 November 2022	2 August 2022
Bank loan facilities	Long-term	INR25,500	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable
Non-convertible debentures	Long-term	INR4,566	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable

Bank wise Facilities Details

The details are as reported by the issuer as on (06 Jan 2026)

#	Bank Name	Instrument Description	Rated Amount (INR million)	Rating
1	UCO Bank	Term Loan	71.285681	IND A/Stable
2	South Indian Bank	Term Loan	8.308588	IND A/Stable
3	Indian Overseas Bank	Term Loan	86.414219	IND A/Stable
4	Bank of Baroda	Term Loan	12.5	IND A/Stable
5	Bank of Baroda	Term Loan	12.5	IND A/Stable
6	IDBI Bank	Term Loan	44.444446	IND A/Stable
7	Canara Bank	Term Loan	162.052443	IND A/Stable
8	Bandhan Bank	Term Loan	25.190065	IND A/Stable
9	Bank of Maharashtra	Term Loan	206.750664	IND A/Stable
10	CSB Bank Limited	Term Loan	49.756555	IND A/Stable
11	Indian Bank	Term Loan	58.904942	IND A/Stable
12	Indian Overseas Bank	Term Loan	7.721556	IND A/Stable
13	Indian Overseas Bank	Term Loan	438.042836	IND A/Stable

14	UCO Bank	Term Loan	3.152202	IND A/Stable
15	Federal Bank	Term Loan	200	IND A/Stable
16	Federal Bank	Term Loan	171.428571	IND A/Stable
17	Federal Bank	Term Loan	85.714285	IND A/Stable
18	CSB Bank Limited	Term Loan	182.870329	IND A/Stable
19	Bank of Baroda	Term Loan	104.166654	IND A/Stable
20	Indian Bank	Term Loan	88.140578	IND A/Stable
21	Canara Bank	Term Loan	109.736494	IND A/Stable
22	Union Bank of India	Term Loan	118.420772	IND A/Stable
23	Bank of Maharashtra	Term Loan	217.051262	IND A/Stable
24	Maharashtra Gramin Bank	Term Loan	214.042176	IND A/Stable
25	IDFC First Bank	Term Loan	25	IND A/Stable
26	State Bank of India	Term Loan	342.875749	IND A/Stable
27	HDFC Bank Limited	Term Loan	47.906152	IND A/Stable
28	AU Small Finance Bank Limited	Term Loan	22,222208	IND A/Stable
29	NABKISAN Finance Ltd	Term Loan	33.440764	IND A/Stable
30	HDFC Bank Limited	Term Loan	54.518809	IND A/Stable
31	SIDBI	Term Loan	75	IND A/Stable
32	Bank of Baroda	Term Loan	166.666656	IND A/Stable
33	Utkarsh Small Finance Bank Limited	Term Loan	40.540512	IND A/Stable
34	Kisetsu Saison Finance (India) Private	Term Loan	87.499998	IND A/Stable
35	Yes Bank Ltd	Term Loan	58.333337	IND A/Stable
36	Bandhan Bank	Term Loan	33.575955	IND A/Stable
37	IDBI Bank	Term Loan	64.285712	IND A/Stable
38	HDFC Bank Limited	Term Loan	61.63968	IND A/Stable
39	Bajaj Finance	Term Loan	71.622241	IND A/Stable
40	SBM Bank (India) Limited	Term Loan	65.619749	IND A/Stable
41	Nabsamruddhi Finance Limited	Term Loan	108.756288	IND A/Stable
42	Nabsamruddhi Finance Limited	Term Loan	108.756287	IND A/Stable
43	Aditya Birla Capital Limited	Term Loan	125.477434	IND A/Stable
44	Union Bank of India	Term Loan	315.788797	IND A/Stable
45	CSB Bank Limited	Term Loan	283.221641	IND A/Stable
46	Indian Bank	Term Loan	268.942607	IND A/Stable
47	Canara Bank	Term Loan	141.713259	IND A/Stable
48	Canara Bank	Term Loan	136.964898	IND A/Stable

49	Federal Bank	Term Loan	214.285714	IND A/Stable
50	Federal Bank	Term Loan	30	IND A/Stable
51	Federal Bank	Term Loan	175	IND A/Stable
52	Bank of Maharashtra	Term Loan	736.842105	IND A/Stable
53	AU Small Finance Bank Limited	Term Loan	41.671647	IND A/Stable
54	HDFC Bank Limited	Term Loan	118.630514	IND A/Stable
55	State Bank of India	Term Loan	564.004374	IND A/Stable
56	AU Small Finance Bank Limited	Term Loan	50.005027	IND A/Stable
57	IDFC First Bank	Term Loan	368.181815	IND A/Stable
58	Kisetsu Saison Finance (India) Private	Term Loan	174.999999	IND A/Stable
59	HDFC Bank Limited	Term Loan	131.944444	IND A/Stable
60	IDFC First Bank	Term Loan	981.818181	IND A/Stable
61	Yes Bank Ltd	Term Loan	122.222222	IND A/Stable
62	Yes Bank Ltd	Term Loan	73.333334	IND A/Stable
63	Yes Bank Ltd	Term Loan	293.75	IND A/Stable
64	Canara Bank	Term Loan	111.516525	IND A/Stable
65	Canara Bank	Term Loan	260.042937	IND A/Stable
66	Nabsamruddhi Finance Limited	Term Loan	179.532283	IND A/Stable
67	Nabsamruddhi Finance Limited	Term Loan	96.671223	IND A/Stable
68	Bajaj Finance	Term Loan	223.611112	IND A/Stable
69	Tata Capital Limited	Term Loan	239.029051	IND A/Stable
70	Federal Bank	Term Loan	400	IND A/Stable
71	Federal Bank	Term Loan	212.5	IND A/Stable
72	SBM Bank (India) Limited	Term Loan	149.999656	IND A/Stable
73	Bandhan Bank	Term Loan	134.34243	IND A/Stable
74	Indian Bank	Term Loan	386.713524	IND A/Stable
75	DCB Bank	Term Loan	181.479264	IND A/Stable
76	Federal Bank	Term Loan	212.5	IND A/Stable
77	Bandhan Bank	Term Loan	226.710614	IND A/Stable
78	SIDBI	Term Loan	333.4	IND A/Stable
79	SIDBI	Term Loan	1008.3	IND A/Stable
80	Union Bank of India	Term Loan	473.682147	IND A/Stable
81	Utkarsh Small Finance Bank Limited	Term Loan	113.333328	IND A/Stable
82	Utkarsh Small Finance Bank Limited	Term Loan	128.571426	IND A/Stable
83	UCO Bank	Term Loan	267.409358	IND A/Stable

84	Bank of Maharashtra	Term Loan	947.368421	IND A/Stable
85	Bajaj Finance	Term Loan	257.142856	IND A/Stable
86	State Bank of India	Term Loan	1265.142045	IND A/Stable
87	Capital Small Finance Bank Ltd.	Term Loan	393.536502	IND A/Stable
88	ESAF Small Finance Bank	Term Loan	236.020213	IND A/Stable
89	NABKISAN Finance Ltd	Term Loan	604.734245	IND A/Stable
90	NABKISAN Finance Ltd	Term Loan	50.373971	IND A/Stable
91	Nabsamruddhi Finance Limited	Term Loan	300	IND A/Stable
92	Canara Bank	Term Loan	712.429014	IND A/Stable
93	Karur Vysya Bank	Term Loan	499.933748	IND A/Stable
94	NABKISAN Finance Ltd	Term Loan	100.184109	IND A/Stable
95	Yes Bank Ltd	Term Loan	200	IND A/Stable
96	IDFC First Bank	Term Loan	400	IND A/Stable
97	IDFC First Bank	Term Loan	600	IND A/Stable
98	Federal Bank	Term Loan	250	IND A/Stable
99	Federal Bank	Term Loan	250	IND A/Stable
100	Bandhan Bank	Term Loan	100.772602	IND A/Stable
101	Bandhan Bank	Term Loan	250.257534	IND A/Stable
102	Bandhan Bank	Term Loan	151.158398	IND A/Stable
103	Equitas Small Finance Bank	Term Loan	98.600205	IND A/Stable
104	Equitas Small Finance Bank	Term Loan	151.248493	IND A/Stable
105	Equitas Small Finance Bank	Term Loan	250.134246	IND A/Stable
106	Bank of India	Term Loan	500	IND A/Stable
107	SBM Bank (India) Limited	Term Loan	300	IND A/Stable
108	IDFC First Bank	Working Capital	150	IND A/Stable
109	Federal Bank	Working Capital	350	IND A/Stable
110	IDBI Bank	Working Capital	50	IND A/Stable
111	Indian Bank	Working Capital	200	IND A/Stable
112	AU Small Finance Bank Limited	Working Capital	150	IND A/Stable
113	SBM Bank (India) Limited	Working Capital	50	IND A/Stable
114	State Bank of India	Working Capital	50	IND A/Stable
115	Bank of Maharashtra	Working Capital	54.635	IND A/Stable
116	NA	Bank Loan(Unutilised)	741.33	IND A/Stable

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan facilities	Low

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

Annexure

Instrument	ISIN	Date of Issuance	Coupon rate (%)	Maturity Date	Ratings/Outlook	Rated amount (million)
Non-convertible debentures	INE612U07084	21 July 2023	9.00	21 July 2026	IND A/Stable	INR450
Non-convertible debentures	INE612U08033	30 December 2022	12.55	29 June 2028	IND A/Stable	INR300
Non-convertible debentures	INE612U07100	31 August 2023	10.67	31 August 2026	IND A/Stable	INR250
Non-convertible debentures	INE612U07092	5 September 2023	10.48	5 September 2026	IND A/Stable	INR250
Non-convertible debentures	INE612U07118	27 September 2023	10.45	27 October 2026	IND A/Stable	INR240
Non-convertible debentures	INE612U08041	28 December 2023	13.00	28 June 2029	IND A/Stable	INR500
Non-convertible debentures	INE612U08058	26 March 2024	12.90	26 September 2029	IND A/Stable	INR200
Non-convertible debentures	INE612U07126	29 August 2024	10.48	15 May 2031	IND A/Stable	INR600
Non-convertible debentures	INE612U07142	7 August 2025	10.00	7 August 2031	IND A/Stable	INR774
	Utilised					INR3,564
	Unutilised					INR1,002
	Total					INR4,566

Source: EFL, NSDL

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Financial Institutions Rating Criteria

Non-Bank Finance Companies Criteria

The Rating Process

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