

Rating Rationale

July 28, 2025 | Mumbai

IndoStar Capital Finance Limited

Ratings reaffirmed at 'Crisil AA-/Stable/Crisil A1+'

Rating Action

Total Bank Loan Facilities Rated	Rs.8000 Crore
Long Term Rating	Crisil AA-/Stable (Reaffirmed)
Non Convertible Debentures Aggregating Rs.1495 Crore (Reduced from Rs.3153 Crore)	Crisil AA-/Stable (Reaffirmed)
Rs.2000 Crore Commercial Paper	Crisil A1+ (Reaffirmed)

Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Crisil Ratings has reaffirmed its 'Crisil AA-/Stable/Crisil A1+' ratings on the debt instruments and bank facilities of IndoStar Capital Finance Ltd (IndoStar).

Crisil Ratings has also **withdrawn** its ratings on redeemed non-convertible debentures (NCDs) totaling Rs 1,258 crore (See 'Annexure - Details of Rating Withdrawn' for details) upon receipt of requisite documentation for redemption and at the client's request. The withdrawal is in line with the Crisil Ratings policy on withdrawal of ratings.

On July 17, 2025, IndoStar announced the completion of a transaction to sell its wholly owned subsidiary, Niwas Housing Finance (Niwas) to WITKOPEEND B.V., an affiliate of BPEA EQT Mid-Market Growth Partnership (EQT), a global private equity investor. IndoStar has received an aggregate consideration of Rs 1,705.95 crore under the terms of the agreement. As a result, Niwas is no longer a subsidiary of IndoStar.

The revised analytical approach for this evaluation is now based on IndoStar's standalone credit risk profile. The ratings also centrally factor in expected support from the majority shareholder, Brookfield Asset Management (Brookfield; rated 'A-/Stable/A-1' by S&P Global Ratings [S&P]).

The ratings also factor in the company's comfortable capitalisation, which has been bolstered by the proceeds from the sale of Niwas. However, these strengths are partly offset by weak asset quality and high operating costs resulting in modest earnings profile.

Analytical Approach

For arriving at the ratings, Crisil Ratings has analysed the standalone business and financial risk profiles of IndoStar. Also, Crisil Ratings has factored in expected support and benefits from the majority shareholder, Brookfield.

Key Rating Drivers & Detailed Description

Strengths:

- **Support from the majority shareholder, Brookfield:** Brookfield, a Canada-based global alternative asset manager, is the largest shareholder and promoter, holding 56.20% stake in IndoStar. Brookfield made its first investment in India's financial services space in IndoStar, with a capital injection of Rs 1,225 crore in May 2020. The infusion enhanced the capital base and financial flexibility of IndoStar.

In the fourth quarter of fiscal 2024, the board and shareholders approved fundraise of Rs 456.7 crore via preferential allotment of warrants to Brookfield Asset Management (through one of its private equity funds) and Florintree Tecserv LLP (Florintree). Of this fundraise, IndoStar has received Rs. 50 crore from Florintree (25% of their subscription) and Rs. 205 crore from Brookfield (80% of their subscription). The balance is expected to be received by the end of the current financial year. Following the fundraise, Brookfield will retain its shareholding in the company.

Besides direct equity funding, Brookfield has provided access to new debt funding through its relationships with various financial institutions, which aided growth of the retail lending business. This has been visible through fund raises through NCDs of Rs 900 crore and term loans of Rs 770 crore in fiscal 2023, and NCDs of Rs 2,455 crore in fiscal 2024, which supported growth in business.

Brookfield has also actively supported IndoStar in putting in place a new management team and leadership and has articulated its intent to continue supporting the company in raising funds, which will be a key rating sensitivity factor.

- **Comfortable capitalization:** Capitalisation remains comfortable with networth of Rs 3,426 crore as on March 31, 2025, up from Rs 3,102 crore as on March 31, 2024. Gearing was moderate at 2.0 times as on March 31, 2025. Net proceeds from the sale of Niwas have also bolstered the capital position and remain available to fuel growth of business.

The capital adequacy ratio (CRAR) remains well above the regulatory requirement at 28.5% as on March 31, 2025, supporting growth. With retailisation of the portfolio, gearing is expected to increase over the medium term. However, the management is expected to prudently manage it.

- **Retailisation of the portfolio, though successful scale-up yet to be seen:** While the company started operations as a wholesale financier, retail loans are now seen as the key growth driver with steady expansion in retail segment over the last few years.

The retail book accounted for Rs 7,806 crore (98% of assets under management [AUM]) as on March 31, 2025, as against Rs 7,450 crore (62% of the consolidated AUM) as on March 31, 2019. The company has strategically prioritised its focus on used vehicles while running down their corporate and large ticket small and medium enterprise (SME) books which now form just 2.0% and 4.4% of the AUM, respectively, as on March 31, 2025. This rundown has also been facilitated by sales to asset reconstruction companies (ARCs) through multiple transactions.

The company has stopped disbursements in the SME book and incremental disbursements in the corporate book are residual in nature for existing sanctions. Over the medium term, its focus will continue to be on used vehicle financing, while also gradually entering the micro loans against property (LAP) segment, though growth in the segment will remain modest in the near term.

Weaknesses:

- **Weak asset quality metrics :** Asset quality (standalone) sharply weakened in fiscal 2022 as gross stage 3 (GS3) and net stage 3 (NS3) assets increased to 15.5% and 7.3%, respectively, as on March 31, 2022, from 4.4% and 2.1%, respectively, as on March 31, 2021. This was because of the staging policy adopted by the company in the light of control deficiencies identified in the commercial vehicles (CV) loan book and to some extent in the SME loan book.

The company undertook a series of corrective actions post May 2022, which included strengthening of risk and control management frameworks and governance mechanism and focusing on building a retail portfolio in a scalable manner. The company drafted new underwriting policies, strengthened collection and focused on better analytics. It also enhanced digitalisation and upgraded their technology systems across loan origination, credit appraisal, disbursement and collection. The company shifted focus on the customer side to first-time users / borrowers, resulting in more granularity, and on the product side to used CVs, especially medium CVs and small CVs (from heavy CVs).

As on March 31, 2025, GS3 now stands at 4.5%, compared to 4.9% as on March 31, 2024. Notably, GS3 for the new CV book (disbursed post March 2022) has inched up to 3.7% compared to 1.8% over the same period. As a result, after strong growth in disbursements in fiscal 2024 (Rs 4559 crore) from fiscal 2023 (Rs 1613 crore), the company has moderated disbursements in fiscal 2025 (Rs 5250 crore) and further tightened underwriting norms, increasing their mix towards tractor, farm equipments, SCV, pick up and cars, termed as 'Focus4'. Disbursements are expected to remain moderate over the medium term as the company balances growth with asset quality.

The company also undertook an ARC sale of Rs 540 crore in fiscal 2025, comprising CV and corporate stressed assets. Total stressed assets, including investments in ARCs, continues to remain elevated at 19.5% as on March 31, 2025, compared to 18% as on March 31, 2024. The provision against these stands at ~30% as on March 31, 2025.

The wholesale portfolio of Rs 156 crore from the legacy book is running down. It is now concentrated towards two borrower groups, both of which are standard assets. The ability to manage timely repayments in this book is linked to the performance of the real estate projects where IndoStar was the sole lender. Hence, asset quality in this book has remained susceptible to lumpy slippages.

The SME AUM is now down to Rs. 353 crore from Rs. 1,776 crore as of Mar-22. Furthermore, the quality of the SME assets that remain on-book remains weak with 21% of the book in the 30+ dpd bucket (as on March 31, 2025), on a declining book.

Crisil Ratings notes that the risk on the portfolio sold to the ARCs may have a bearing on the earnings profile in case of lower-than-expected recoveries, necessitating higher credit cost. The performance of the new book as the portfolio continues to season is also a key monitorable.

- **Moderate earnings profile:** On a standalone basis, the company incurred losses in fiscals 2021 and 2022 owing to high provisioning for impairment on its loan portfolio, resulting in credit cost of 12.4% of average total assets in fiscal 2022. This was because of the Covid-19 pandemic and control deficiencies identified in the CV portfolio.

IndoStar reported a standalone profit after tax (PAT) of Rs 187 crore and return on assets (RoA) of 2.2% in fiscal 2023, on account of a writeback in credit costs (negative 0.5%) resulting from significant recovery during fiscal 2023, as against provisions incurred in fiscal 2022.

Post shift to the higher yielding CV segment, there was an improvement in lending spread and net interest margin. Consequently, yields on loans^[1] improved from 13.4% for fiscal 2023 to 18.1% for fiscal 2025. However, profitability remained subdued in fiscals 2024 and 2025 with RoA of 0.8% and 0.5% respectively. This was on account of higher borrowing cost^[2] (11.4% in fiscal 2025, as against 10.7% in fiscal 2024), high operating expenses (4.8% and 4.4%, respectively, of average managed assets), and credit costs incurred (1.4% and 0.9%, respectively, of average managed assets). Ramping up of business operations, investment in digital infrastructure and higher employee costs have led to elevated operating costs.

Going ahead, focusing on higher yielding businesses and some reduction in borrowing costs, given the lower interest rate environment, will benefit the earnings profile. However, the ability to improve operating efficiency and manage credit costs both on the new book as well as the security receipts portfolio will remain a key monitorable.

- **Cost of borrowing remains elevated, though gradual improvement in funding diversity is seen:** Business and funding were severely impacted following identification of control deficiencies in the CV portfolio as on March 31, 2022. Due to the support of Brookfield and the management's efforts to ensure active engagement with both lenders and investors, none of the lenders recalled any facilities and none of the NCDs have covenants that are in breach.

Majority of the incremental funding since 2022 has been raised through NCDs with a smaller quantum from existing relationships with banks. Subsequently, the company has taken steps to mobilise bank funding in fiscal 2025. IndoStar raised funds aggregating

Rs 5,358 crore in fiscal 2025. Of this, 22% were through NCDs, commercial paper accounted for 25%, securitisation 19% and funding from banks 34% (working capital – 9% and term loans 25%). Weighted average cost of borrowings remains high at 10.78% p.a.p.m. as on March 31, 2025, as the company continues to hold some higher cost NCDs. Some of the proceeds of the Niwas sale are expected to go towards repayment of these borrowings, which should reduce overall funding costs for the company. The company has recently raised NCDs of Rs. 400 Cr in Jun-25 for tenor of 24 and 25 months at competitive XIRR of 9.50% per annum. Going ahead, the company's ability to consistently avail funds at competitive rates while diversifying its borrowing mix will remain a key rating sensitivity factor.

[1] Yields on advances = interest income during the period divided by the average of outstanding loans and advances

[2] Borrowing cost = interest cost during the period divided by the average of outstanding borrowings

Liquidity: Strong

As on March 31, 2025, the asset liability management (ALM) profile has negative cumulative mismatch between three to six months buckets. These are on account of bullet repayment of certain NCDs.

As on July 22, 2025, liquidity remains strong with Rs 311 crore of cash and cash equivalent⁴, Rs 200 crore of undrawn working capital lines as well as Rs 1,768 crore (including proceeds from sale of Niwas) in short term debt mutual funds. Against this, the company has potential repayments of Rs 1043 crore for the next three months through October 2025.

Outlook: Stable

Crisil Ratings believes IndoStar will continue to benefit from its association with Brookfield as well as maintain adequate capitalisation. Ability to manage asset quality and profitability as the business scales up will remain monitorable.

Rating sensitivity factors

Upward factors:

- Significant strengthening in the market position while improving asset quality
- Higher profitability, with RoA beyond 3.0% on sustained basis

Downward factors:

- Significant diminution in the stake held by Brookfield or support expected from it
- Lack of improvement in asset quality, with GNPA remaining at current levels over an extended period, thereby impacting profitability
- Weakening of capitalisation metrics with higher-than-expected gearing on a sustained basis

About the Company

Incorporated in July 2009, IndoStar is registered with the Reserve Bank of India as a systemically important, non-deposit taking, non-banking financial company. The company was founded and incorporated by private equity players (Everstone, Goldman Sachs, Baer Capital Partners, ACPI Investment managers, and CDIB International) with initial capital of around Rs 900 crore. In May 2020, Brookfield invested Rs 1,225 crore and became the largest shareholder and promoter. Brookfield holds 56.20% stake in the company, followed by the Everstone group at 17.4%.

The company started operations as a wholesale financier in fiscal 2011 and entered the SME finance (loans against property) segment in fiscal 2015. In fiscal 2018, it started offering vehicle finance and housing finance (through wholly owned subsidiary, IndoStar Home Finance Pvt Ltd). In fiscal 2019, IndoStar Capital acquired the CV finance business of IIFL Finance Ltd.

In July 2025, IndoStar Capital completely sold its wholly owned subsidiary Niwas Housing Finance Private Limited (Niwas, formerly IndoStar Home Finance Private Limited) to WITKOPEEND B.V., an affiliate of BPEA EQT Mid-Market Growth Partnership (EQT), a global private equity investor.

The company plans to focus on used CV financing and gradually build the micro-LAP portfolio.

Key Financial Indicators

For the period ended March 31 (standalone)		2025	2024	2023
Total assets	Rs crore	10,672	9,390	8,130
Total income (net of interest)	Rs crore	456	334	451
PAT	Rs crore	53	72	187
GS3 assets	%	4.52	4.97	8.06
Gearing	%	2.0	2.0	1.6
Return on average assets	%	0.5	0.8	2.2

Any other information: Not applicable

Note on complexity levels of the rated instrument:

Crisil Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

Crisil Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the Crisil Ratings' complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of the instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue size (Rs.Crore)	Complexity Level	Rating assigned with outlook
NA	Term Loan	30-Dec-20	NA	31-Dec-25	60.00	NA	Crisil AA-/Stable
NA	Term Loan	29-Jun-20	NA	29-Jun-25	24.75	NA	Crisil AA-/Stable

NA	Term Loan	31-Dec-21	NA	31-Dec-25	37.50	NA	Crisil AA-/Stable
NA	Term Loan	27-May-21	NA	1-May-25	16.67	NA	Crisil AA-/Stable
NA	Term Loan	24-Jan-22	NA	31-Dec-24	18.75	NA	Crisil AA-/Stable
NA	Term Loan	31-Mar-21	NA	30-Mar-25	12.39	NA	Crisil AA-/Stable
NA	Term Loan	30-Dec-20	NA	30-Dec-24	13.33	NA	Crisil AA-/Stable
NA	Term Loan	30-Sep-23	NA	30-Mar-26	58.34	NA	Crisil AA-/Stable
NA	Term Loan	7-Apr-21	NA	7-Apr-25	12.44	NA	Crisil AA-/Stable
NA	Term Loan	31-Mar-21	NA	31-Mar-26	43.75	NA	Crisil AA-/Stable
NA	Term Loan	31-May-24	NA	31-May-29	47.5	NA	Crisil AA-/Stable
NA	Term Loan	26-Mar-24	NA	18-Oct-26	17.33	NA	Crisil AA-/Stable
NA	Term Loan	11-Jul-24	NA	5-Aug-27	50.00	NA	Crisil AA-/Stable
NA	Term Loan	31-Jul-24	NA	31-Oct-26	122	NA	Crisil AA-/Stable
NA	Term Loan	31-Jul-24	NA	31-Jul-27	100	NA	Crisil AA-/Stable
NA	Term Loan	31-Jul-24	NA	22-Mar-27	43.75	NA	Crisil AA-/Stable
NA	Term Loan	31-Jul-24	NA	30-Jun-27	455.36	NA	Crisil AA-/Stable
NA	Term Loan	31-Jul-24	NA	24-Sep-28	121.88	NA	Crisil AA-/Stable
NA	Term Loan	31-Jul-24	NA	22-Jun-29	190	NA	Crisil AA-/Stable
NA	Term Loan	31-Jul-24	NA	18-Dec-29	60.00	NA	Crisil AA-/Stable
NA	Commercial paper programme	NA	NA	7-365 Days	2000	Simple	Crisil A1+
INE896L07884	Non-convertible debentures	9-May-23	10.25	25-May-26	25.00	Complex	Crisil AA-/Stable
INE896L07926	Non-convertible debentures	7-Aug-23	9.95	7-Aug-25	350	Simple	Crisil AA-/Stable
INE896L07934	Non-convertible debentures	7-Aug-23	9.85	7-Aug-26	250	Simple	Crisil AA-/Stable
INE896L08056	Non-convertible debentures	3-Oct-23	10.25	3-Apr-25	100	Simple	Crisil AA-/Stable
INE896L07942	Non-convertible debentures	24-Jan-24	9.95	24-Sep-25	325	Simple	Crisil AA-/Stable
NA	Non-convertible debentures^	NA	NA	NA	445	Simple	Crisil AA-/Stable
NA	Cash Credit & Working Capital Demand Loan	NA	NA	NA	575	NA	Crisil AA-/Stable
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	5869.26	NA	Crisil AA-/Stable
NA	Term Loan	31-Jul-24	NA	27-Feb-26	50.00	NA	Crisil AA-/Stable

Yet to be issued

Annexure - Details of Rating Withdrawn

ISIN	Name of the instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue size (Rs.Crore)	Complexity Level	Rating assigned with outlook
INE896L07868	Non-convertible debentures	20-Mar-23	9.95	21-Mar-25	100	Simple	Crisil AA-/Stable
INE896L07835	Non-convertible debentures	29-Dec-22	Linked to repo	27-Sep-24	108	Simple	Crisil AA-/Stable
INE896L07801	Non-convertible debentures	29-Dec-22	Linked to repo	27-Dec-24	120	Simple	Crisil AA-/Stable
INE896L07876	Non-convertible debentures	9-May-23	9.95	15-May-25	230	Simple	Crisil AA-/Stable
INE896L07918	Non-convertible debentures	30-Jun-23	9.95	30-Mar-25	350	Simple	Crisil AA-/Stable
INE896L07892	Non-convertible debentures	30-Jun-23	9.95	30-Jun-25	350	Simple	Crisil AA-/Stable

Annexure - Rating History for last 3 Years

		Current		2025 (History)		2024		2023		2022		Start of 2022
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	8000.0	Crisil AA-/Stable		--	28-10-24	Crisil AA-/Stable	27-10-23	Crisil AA-/Negative	12-08-22	Crisil AA-/Watch Negative	Crisil AA-/Stable
			--		--	24-09-24	Crisil AA-/Stable	28-07-23	Crisil AA-/Negative	17-05-22	Crisil AA-/Watch Developing	--
			--		--	09-09-24	Crisil AA-/Stable	22-06-23	Crisil AA-/Watch Negative		--	--
			--		--	18-04-24	Crisil AA-/Negative	28-04-23	Crisil AA-/Watch Negative		--	--
			--		--	12-02-24	Crisil AA-/Negative	26-04-23	Crisil AA-/Watch Negative		--	--
			--		--		--	19-04-23	Crisil AA-/Watch Negative		--	--
			--		--		--	01-02-23	Crisil AA-/Watch Negative		--	--
Commercial Paper	ST	2000.0	Crisil A1+		--	28-10-24	Crisil A1+	27-10-23	Crisil A1+	12-08-22	Crisil A1+/Watch Negative	Crisil A1+

			--		--	24-09-24	Crisil A1+	28-07-23	Crisil A1+	17-05-22	Crisil A1+	--
			--		--	09-09-24	Crisil A1+	22-06-23	Crisil A1+/Watch Negative		--	--
			--		--	18-04-24	Crisil A1+	28-04-23	Crisil A1+/Watch Negative		--	--
			--		--	12-02-24	Crisil A1+	26-04-23	Crisil A1+/Watch Negative		--	--
			--		--		--	19-04-23	Crisil A1+/Watch Negative		--	--
			--		--		--	01-02-23	Crisil A1+/Watch Negative		--	--
Non Convertible Debentures	LT	1495.0	Crisil AA-/Stable		--	28-10-24	Crisil AA-/Stable	27-10-23	Crisil AA-/Negative	12-08-22	Crisil AA-/Watch Negative	Crisil AA-/Stable
			--		--	24-09-24	Crisil AA-/Stable	28-07-23	Crisil AA-/Negative	17-05-22	Crisil AA-/Watch Developing	--
			--		--	09-09-24	Crisil AA-/Stable	22-06-23	Crisil AA-/Watch Negative		--	--
			--		--	18-04-24	Crisil AA-/Negative	28-04-23	Crisil AA-/Watch Negative		--	--
			--		--	12-02-24	Crisil AA-/Negative	26-04-23	Crisil AA-/Watch Negative		--	--
			--		--		--	19-04-23	Crisil AA-/Watch Negative		--	--
			--		--		--	01-02-23	Crisil AA-/Watch Negative		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit & Working Capital Demand Loan	25	DCB Bank Limited	Crisil AA-/Stable
Cash Credit & Working Capital Demand Loan	10	DBS Bank India Limited	Crisil AA-/Stable
Cash Credit & Working Capital Demand Loan	5	IDFC FIRST Bank Limited	Crisil AA-/Stable
Cash Credit & Working Capital Demand Loan	235	IndusInd Bank Limited	Crisil AA-/Stable
Cash Credit & Working Capital Demand Loan	115	Kotak Mahindra Bank Limited	Crisil AA-/Stable
Cash Credit & Working Capital Demand Loan	185	RBL Bank Limited	Crisil AA-/Stable
Proposed Long Term Bank Loan Facility	5869.26	Not Applicable	Crisil AA-/Stable
Term Loan	12.44	CSB Bank Limited	Crisil AA-/Stable
Term Loan	60	National Bank For Agriculture and Rural Development	Crisil AA-/Stable
Term Loan	17.33	AU Small Finance Bank Limited	Crisil AA-/Stable
Term Loan	13.33	Indian Bank	Crisil AA-/Stable
Term Loan	24.75	Central Bank Of India Limited	Crisil AA-/Stable
Term Loan	16.67	YES Bank Limited	Crisil AA-/Stable
Term Loan	37.5	IndusInd Bank Limited	Crisil AA-/Stable
Term Loan	250	State Bank of India	Crisil AA-/Stable
Term Loan	12.39	The Karnataka Bank Limited	Crisil AA-/Stable
Term Loan	58.34	Hero FinCorp Limited	Crisil AA-/Stable
Term Loan	47.5	Indian Overseas Bank	Crisil AA-/Stable
Term Loan	18.75	ICICI Bank Limited	Crisil AA-/Stable
Term Loan	43.75	Bank of Maharashtra	Crisil AA-/Stable

Term Loan	50	Suryoday Small Finance Bank Limited	Crisil AA-/Stable
Term Loan	122	Tata Capital Limited	Crisil AA-/Stable
Term Loan	100	DBS Bank India Limited	Crisil AA-/Stable
Term Loan	93.75	Bajaj Finance Limited	Crisil AA-/Stable
Term Loan	455.36	State Bank of India	Crisil AA-/Stable
Term Loan	121.88	IDFC FIRST Bank Limited	Crisil AA-/Stable

Criteria Details

Links to related criteria

[Basics of Ratings \(including default recognition, assessing information adequacy\)](#)

[Criteria for Finance and Securities companies \(including approach for financial ratios\)](#)

[Criteria for factoring parent, group and government linkages](#)

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