

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

Sep 17, 2026 | Electronica Finance Limited | Non Banking Financial Company (NBFC)

India Ratings and Research (Ind-Ra) has taken the following rating actions on Electronica Finance Limited's (EFL) debt instruments:

Details of Instruments

Instrument Type	Regulator of Instrument	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (INR million)	Rating assigned along with Outlook/ Watch	Rating Action
Non-convertible debentures*#	SEBI	-	-	-	750	IND A/Stable	Assigned
Non-convertible debentures*	Refer to ISIN annexure				5,116 (reduced from 5,566)	IND A/Stable	Affirmed
Bank loan facilities	RBI	-	-	-	25,500	IND A/Stable	Affirmed

*Details in annexure

Yet to be issued

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 35-year operating history in machine financing (MF), which accounted for 75.79% of its assets under management (AUM) as of June 2026. The ratings are supported by a leverage ratio of 3.3x and adequate capitalisation, with a capital adequacy ratio of 22.3% as of 1QFY27. The share of the micro loan against property (micro-LAP) segment —a high-yielding product — fell to 8.45% as at 1QFY27; however, this segment also contributed to overall delinquencies. As a result, EFL has introduced emerging enterprises LAP (EEL) to replace micro-LAP FY27 onwards; its traction and asset quality will be 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 MF; business diversification to improve
- Established underwriting systems and processes
- Diversified funding profile

Weaknesses

- Performance of existing micro-LAP book and traction in EEL book key monitorable

Detailed Description of Key Rating Drivers

Adequate Capitalisation for Current Scale of Operations: EFL's capitalisation levels remained adequate for the current scale of operations, with a tier-1 capital ratio of 18.7% in 1QFY27 and a capital to risk-weighted assets ratio (CRAR) of 22.3%. The substantial capital injection in FY25 of INR 4,000 million 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) reduced to 3.3x in 1QFY27(FY26: 3.4x; FY25: 3.1x; FY24: 4.6x).

EFL's tangible net worth surged to INR9,123.31 million in 1QFY27 (FY26: 9,056.60 million; FY25: INR8,285.09 million; FY24: INR4,256.80 million), primarily driven by significant investments from key stakeholders and accretion of profit. Leapfrog Investments injected INR2,800 million in FY25. Similarly, Aavishkaar Capital invested INR930 million in FY25, further bolstering the company's capital base and an additional INR270 million was also infused until October 2025. 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 in the next five-to-six months, which will further help bolster the growth.

Expertise in MF; Business Diversification to improve: As on 30 June 2026, EFL's total AUM grew 9.6% yoy to INR54.06 billion (FY26: INR 54.41 billion; FY25: INR48.42 billion; FY24: INR37.77 billion; FY23: INR29.05 billion; FY22: INR19.89 billion), comprising INR42.33 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 established relationships with suppliers and borrowers, with MF accounting for 88.3% in 1QFY27 (FY26: 83.3%; FY25: 73.6%) of the total disbursements.

The company operates across 15 states, with 55% of its portfolio concentrated in Maharashtra, Gujarat, and Tamil Nadu and Delhi (Delhi & NCR region) highlighting its strong presence in key markets. MF continued to be a significant part of EFL's portfolio, with a share of 75.8% in its total AUM at INR40.97 billion as of June 2026 (FY26: 74.5%; FY25: 67.4%; FY24: 65%; FY23: 67%).

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. Furthermore, EFL has revamped its product suite through the introduction of EEL, leveraging its manufacturing and industrial lending expertise by targeting LAP exposure primarily to manufacturing and industrial customers, in place of the earlier micro-LAP segment. EFL has consistently diversified its product mix to address evolving borrower needs and business requirements, spanning MF, LAP, micro-LAP, institutional lending, and solar financing, and now the EEL segment. The share of micro-LAP in the AUM moderated to 8.5% as of June 2026 (FY26: 12.1%; FY25: 17.4%; FY24: 19.4%; FY23: 18%), due to muted disbursements, which further led to a modest growth in the overall AUM as compared to previous years. 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 185 branches as of March 2026.

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 the AUM (1QFY27: 21.42%; FY26: 25.5%; FY25: 32.6%), led by solar financing and EEL. 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 long-standing 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 operate its business without reliance on direct-selling agents and facilitate asset liquidation when required. The management has further leveraged the strengthened underwriting, decades of experience and collection strategies in the MF business and will further use it to augment the EEL segment, including a shift toward slightly higher ticket sizes (>INR1.5 million) and

industrial customers engaged in value-added manufacturing. Despite asset quality pressures in the micro-LAP segment, the MF portfolio remained resilient, maintaining low delinquencies, with the portfolio at risk for 30+ days past due (PAR30+) standing at 1.6% as on 30 June 2026.

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 (1QFY27: 58%; FY26: 59%; FY25: 58%; FY24: 58%); working capital loans (0.7%; 0.8%; 2.6%; 1.5%), direct assignments, pass-through certificates and co-lending (26%, 24%; 25%) and NCDs (15.3%; 15.5%; 14.3%). It has a well-diversified base of about 44 lenders. The management proposes to enhance the diversification of its borrowing profile by availing funds from sources with relatively lower borrowing costs during FY27.

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 Existing Micro-LAP Book and Traction in EEL Book Key Monitorable: EFL has maintained reasonable asset quality, with its current collection efficiency at 88% in 1QFY27 (FY26:89%; FY25: 89%) and stood at 82%-89% in FY26. The gross NPA increased to 2.73% in 1QFY27 (FY26: 2.08%; 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 22.93% in 1QFY27 (FY26: 18.3%; FY25: 12.75%; FY24: 5.55%), due to asset quality pressures and the denominator effect of a declining share of micro-LAP in its overall AUM. The PAR90+ in this segment rose to 14.20% as of June 2026 (FY26: 10.32%; FY25: 6.76%; FY24: 3.96%). However, the asset quality in the MF portfolio has supported overall portfolio quality, with PAR90+ at 2.69% as of June 2026. Any deterioration in the MF book could exert pressure on the overall asset quality.

The company's ability to sustain its provision coverage ratio (1QFY27: 49.82%; FY26: 50.00%; 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 mature, will be critical in determining EFL's asset quality trajectory. Furthermore, the traction and asset quality in the EEL segment will remain a key monitorable.

Liquidity

Adequate: As per the asset and liability management statement as on 30 June 2026, EFL had cumulative liquidity surplus in all its buckets. The company has undrawn sanction limits of around INR1,045 million as on 30 June 2026. Furthermore, as on 30 June 2026, the company's liquidity levels stood at INR4,427.3 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 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 EEL. 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 185 branches as of March 2026.

Key Financial Indicators

Particulars	1QFY27	FY26	FY25
Total assets (INR billion)	44.48	44.67	37.91
AUM (INR billion)	54.06	54.41	48.43
Total equity* (INR billion)	9.12	9.06	8.28
Profit after tax (INR billion)	1.18	5.19	0.47
Return on average assets (%)	1.06	1.26	1.45
Source: Ind Ra, Company			

Status of Non-Cooperation with Previous Rating Agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook										
	Rating Type	Rated Limits (INR million)	Rating	16 July 2026	6 January 2026	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
Bank loan facilities	Long-term	25,500	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
Non-convertible debentures	Long-term	5,866	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

Disclosure on instruments / activities and names of regulators:

A list of products/activities or ratings of instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by Ind-Ra on its website. A link to the same has been provided below for ready reference:

Rating Activities

Note: Kindly note that for activities or 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.

Bank wise Facilities Details

The details are as reported by the issuer as on (17 Sep 2026)

#	Bank Name	Instrument Description	Rated Amount (INR million)	Rating
1	Aditya Birla Capital Limited	Term Loan	102.43	IND A/Stable
2	AU Small Finance Bank Limited	Term Loan	22.23	IND A/Stable
3	AU Small Finance Bank Limited	Term Loan	30.56	IND A/Stable
4	Bajaj Finance	Term Loan	155.56	IND A/Stable
5	Bajaj Finance	Term Loan	207.14	IND A/Stable
6	Bajaj Finance	Term Loan	464.29	IND A/Stable
7	Bandhan Bank	Term Loan	88.15	IND A/Stable
8	Bandhan Bank	Term Loan	220.39	IND A/Stable
9	Bandhan Bank	Term Loan	132.23	IND A/Stable
10	Bandhan Bank	Term Loan	176.28	IND A/Stable
11	Bandhan Bank	Term Loan	83.94	IND A/Stable
12	Bank of Baroda	Term Loan	31.25	IND A/Stable
13	Bank of Baroda	Term Loan	93.75	IND A/Stable

14	Bank of India	Term Loan	449.8	IND A/Stable
15	Bank of Maharashtra	Term Loan	154.88	IND A/Stable
16	Bank of Maharashtra	Term Loan	100.14	IND A/Stable
17	Bank of Maharashtra	Term Loan	578.95	IND A/Stable
18	Bank of Maharashtra	Term Loan	842.11	IND A/Stable
19	Canara Bank	Term Loan	94.02	IND A/Stable
20	Canara Bank	Term Loan	219.21	IND A/Stable
21	Canara Bank	Term Loan	112.49	IND A/Stable
22	Canara Bank	Term Loan	107.49	IND A/Stable
23	Canara Bank	Term Loan	74.55	IND A/Stable
24	Canara Bank	Term Loan	74.68	IND A/Stable
25	Capital Small Finance Bank Ltd.	Term Loan	354.85	IND A/Stable
26	CSB Bank Limited	Term Loan	20.57	IND A/Stable
27	CSB Bank Limited	Term Loan	124.52	IND A/Stable
28	CSB Bank Limited	Term Loan	224.87	IND A/Stable
29	CSB Bank Limited	Term Loan	468.77	IND A/Stable
30	DCB Bank	Term Loan	299.92	IND A/Stable
31	DCB Bank	Term Loan	128.19	IND A/Stable

32	Dhanlaxmi Bank	Term Loan	468.75	IND A/Stable
33	Equitas Small Finance Bank	Term Loan	83.9	IND A/Stable
34	Equitas Small Finance Bank	Term Loan	129	IND A/Stable
35	Equitas Small Finance Bank	Term Loan	220.24	IND A/Stable
36	ESAF Small Finance Bank	Term Loan	201.59	IND A/Stable
37	Federal Bank	Term Loan	187.5	IND A/Stable
38	Federal Bank	Term Loan	325	IND A/Stable
39	Federal Bank	Term Loan	175	IND A/Stable
40	Federal Bank	Term Loan	182.14	IND A/Stable
41	Federal Bank	Term Loan	22.5	IND A/Stable
42	Federal Bank	Term Loan	137.5	IND A/Stable
43	Federal Bank	Term Loan	125	IND A/Stable
44	Federal Bank	Term Loan	139.29	IND A/Stable
45	Federal Bank	Term Loan	69.64	IND A/Stable
46	Federal Bank	Term Loan	225	IND A/Stable
47	Federal Bank	Term Loan	237.5	IND A/Stable
48	Federal Bank	Term Loan	212.5	IND A/Stable
49	Federal Bank	Term Loan	250	IND A/Stable

50	HDFC Bank Limited	Term Loan	66.96	IND A/Stable
51	HDFC Bank Limited	Term Loan	83.33	IND A/Stable
52	IDBI Bank	Term Loan	22.22	IND A/Stable
53	IDBI Bank	Term Loan	42.86	IND A/Stable
54	IDFC First Bank	Term Loan	245.45	IND A/Stable
55	IDFC First Bank	Term Loan	613.64	IND A/Stable
56	IDFC First Bank	Term Loan	325	IND A/Stable
57	IDFC First Bank	Term Loan	262.5	IND A/Stable
58	IDFC First Bank	Term Loan	468.75	IND A/Stable
59	IDFC First Bank	Term Loan	262.5	IND A/Stable
60	Indian Bank	Term Loan	327.92	IND A/Stable
61	Indian Bank	Term Loan	210.13	IND A/Stable
62	Indian Bank	Term Loan	58.72	IND A/Stable
63	Indian Overseas Bank	Term Loan	45.54	IND A/Stable
64	Indian Overseas Bank	Term Loan	379.49	IND A/Stable
65	Karnataka Bank Ltd	Term Loan	500	IND A/Stable
66	Karur Vysya Bank	Term Loan	374.91	IND A/Stable
67	Kisetsu Saison Finance (India) Private	Term Loan	116.67	IND A/Stable

68	Maharashtra Gramin Bank	Term Loan	146.1	IND A/Stable
69	MAS Financial Services Ltd.	Term Loan	250	IND A/Stable
70	MAS Financial Services Ltd.	Term Loan	458.33	IND A/Stable
71	NABKISAN Finance Ltd	Term Loan	81.81	IND A/Stable
72	NABKISAN Finance Ltd	Term Loan	490.87	IND A/Stable
73	NABKISAN Finance Ltd	Term Loan	40.91	IND A/Stable
74	Nabsamruddhi Finance Limited	Term Loan	260	IND A/Stable
75	Nabsamruddhi Finance Limited	Term Loan	146.6	IND A/Stable
76	Nabsamruddhi Finance Limited	Term Loan	78.94	IND A/Stable
77	Nabsamruddhi Finance Limited	Term Loan	63.04	IND A/Stable
78	Nabsamruddhi Finance Limited	Term Loan	63.04	IND A/Stable
79	SBM Bank (India) Limited	Term Loan	46.87	IND A/Stable
80	SBM Bank (India) Limited	Term Loan	112.49	IND A/Stable
81	SBM Bank (India) Limited	Term Loan	87.5	IND A/Stable
82	SBM Bank (India) Limited	Term Loan	89.58	IND A/Stable
83	SBM Bank (India) Limited	Term Loan	91.66	IND A/Stable
84	SIDBI	Term Loan	1000	IND A/Stable
85	SIDBI	Term Loan	233.5	IND A/Stable

86	SIDBI	Term Loan	733.2	IND A/Stable
87	State Bank of India	Term Loan	1084.01	IND A/Stable
88	State Bank of India	Term Loan	225.72	IND A/Stable
89	State Bank of India	Term Loan	446.85	IND A/Stable
90	Suryoday Small Finance Bank	Term Loan	488.04	IND A/Stable
91	Tata Capital Limited	Term Loan	203.43	IND A/Stable
92	UCO Bank	Term Loan	237.88	IND A/Stable
93	UCO Bank	Term Loan	58.74	IND A/Stable
94	Union Bank of India	Term Loan	78.95	IND A/Stable
95	Union Bank of India	Term Loan	236.84	IND A/Stable
96	Union Bank of India	Term Loan	394.74	IND A/Stable
97	Unity Small Finance Bank	Term Loan	452.78	IND A/Stable
98	Utkarsh Small Finance Bank Limited	Term Loan	200	IND A/Stable
99	Utkarsh Small Finance Bank Limited	Term Loan	90	IND A/Stable
100	Utkarsh Small Finance Bank Limited	Term Loan	103.57	IND A/Stable
101	Yes Bank Ltd	Term Loan	170.83	IND A/Stable
102	Yes Bank Ltd	Term Loan	83.33	IND A/Stable
103	Yes Bank Ltd	Term Loan	50	IND A/Stable

104	Yes Bank Ltd	Term Loan	250	IND A/Stable
105	AU Small Finance Bank Limited	Working Capital	150	IND A/Stable
106	Bank of Maharashtra	Working Capital	44.99	IND A/Stable
107	Federal Bank	Working Capital	350	IND A/Stable
108	IDBI Bank	Working Capital	50	IND A/Stable
109	IDFC First Bank	Working Capital	150	IND A/Stable
110	Indian Bank	Working Capital	200	IND A/Stable
111	SBM Bank (India) Limited	Working Capital	50	IND A/Stable
112	State Bank of India	Working Capital	50	IND A/Stable
113	NA	Bank loan facilities(Unutilised)	1088.02	IND A/Stable

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	ISIN	Regulator of Instrument	Date of Issuance	Coupon rate (%)	Maturity Date	Ratings/Outlook	Rated amount (INR million)
NCD*	INE612U07084	MCA	21 July 2023	9.00	21 July 2026	WD	450
NCD	INE612U08033	MCA	30 December 2022	12.55	29 June 2028	IND A/Stable	300
NCD\$	INE612U07100	MCA	31 August 2023	10.67	31 August 2026	IND A/Stable	250

Instrument	ISIN	Regulator of Instrument	Date of Issuance	Coupon rate (%)	Maturity Date	Ratings/Outlook	Rated amount (INR million)
NCD\$	INE612U07092	SEBI	05 September 2023	10.48	05 September 2026	IND A/Stable	250
NCD	INE612U07118	SEBI	27 September 2023	10.45	27 October 2026	IND A/Stable	240
NCD	INE612U08041	SEBI	28 December 2023	13.00	28 June 2029	IND A/Stable	500
NCD	INE612U08058	SEBI	26 March 2024	12.90	26 September 2029	IND A/Stable	200
NCD	INE612U07126	SEBI	29 August 2024	10.48	15 May 2031	IND A/Stable	600
NCD	INE612U07142	SEBI	07 August 2025	10.00	07 August 2031	IND A/Stable	774
NCD	INE612U08066	SEBI	16 January 2026	11.25	16 July 2031	IND A/Stable	1,000
NCD	INE612U08074	SEBI	23 July 2026	11.25	22 January 2032	IND A/Stable	1,000
	Utilised						5,114
	Unutilised	SEBI				IND A/Stable	752
	Total #						5,866
Source: EFL, NSDL * Paid in full #Does not include withdrawn NCDs \$ Awaiting confirmation from debenture trustee pertaining to repayment.							

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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance companies, urban local bodies, and structured finance and project finance companies.

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APPLICABLE CRITERIA AND POLICIES

Financial Institutions Rating Criteria

Non-Bank Finance Companies Criteria

The Rating Process

Evaluating Corporate Governance

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