India Ratings Affirms Akara Capital Advisors's NCDs and Bank Loans at 'IND BBB'/Stable

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India Ratings and Research (Ind-Ra) has affirmed Akara Capital Advisors Private Limited's (ACAPL) debt instruments' ratings as follows:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/Watch	Rating Action
Bank loan facilities	-	-	-	INR500	IND BBB/Stable	Affirmed
Non-convertible debentures*	-	-	-	INR2,000	IND BBB/Stable	Affirmed

* Yet to be issued

Analytical Approach

Ind-Ra continues to fully consolidate the financial and credit profiles of ACAPL, its 100% parent, Morus Technologies Pte. Ltd. (MTPL), and its parent's other key wholly owned subsidiaries, Titanium Fortune Financial Services Private Limited (TFFSPL) and EQX Analytics' (EQX; technology platform - Stashfin). This is due to the strong operational linkages among them in the form of common promoters, shared management and fungibility of funds. The contribution of ACAPL and EQX contribution to the consolidated financials remains significant.

Detailed Rationale of the Rating Action

The affirmation factors in Akara's franchise scalability, supported by its fully digital, branchless lending model. The ratings consider the company's healthy AUM growth during the 12 months ended 31 December 2025, and the revival in disbursements following the tightening of credit guardrails. The ratings also factor in adequate capitalisation at the group level, backed by periodic equity infusions from MTPL.

However, the ratings are constrained by ACAPL's evolving profitability, which is affected by high operating costs. These costs include employee stock options (ESOP), which are non-cash in nature and neutral on net worth and funding concentration. Ind-Ra will monitor the company's ability to manage credit costs and operating expenses which could be a key rating driver for sustainable improvement in profitability. Given the decline in disbursement through co-lending partnerships, the company's ability to have adequate funding tie-ups at reasonable pricing with diversified types of lenders remains a monitorable.

List of Key Rating Drivers

Strengths

- Adequate franchise expansion and scaling up
- Adequately capitalised at group-level for current scale of operations
- Defined product in form of credit line; yields partially price in risk

Weaknesses

- Profitability under pressure due to elevated share-based payments; consolidated performance weak in 9MFY26
- Modest borrower profile reflected in asset quality pressure
- High funding concentration, diversification required among banks and non-banks
- Regulatory risk

Detailed Description of Key Rating Drivers

Adequate Franchise Expansion and Scaling Up: EQX has adopted a branchless business model, driven by its in-house technology platform, Stashfin, which is a fully automated digital lending model deployed through an application to assist borrowers with the loan process. It has an end-to-end integration in the form of sourcing, disbursement, collections, along with underwriting the loan applicants through data analytics and algorithms to assess the creditworthiness of borrowers. The algorithm is largely based on credit bureau data, banking information along with multiple permutation and combination-based filtering on different cohorts such as postal code, age, salary scale and phone data of the borrower. As a digital lending platform, Stashfin originates on a pan-India basis; the management continues to focus on long-tenored loans, largely ranging between 12 to 36 months. Moreover, the company has seen an increase in the share of fee-based loans (paying within 30 days) in its Liberate product, wherein the interest is charged post 30 days of utilisation in the overall disbursement, which was around 35% of the monthly disbursement at end-3QFY26.

The AUM grew by 57% yoy increasing to INR 26,377 million in 9MFY26 from INR16,778 million in 9MFY25 (FY25: INR 17,312 million; FY24: INR18,394 million; FY23: INR14,654 million). The quarterly disbursements stood at INR15042 million in 3QFY26, up from INR8850 million in 4QFY25**.** In August 2024, the company implemented stricter credit policy checks for repeat customers, including bank statement reviews, to ensure customers are not over-leveraged. This resulted in some churn in repeat demand. After tightening credit guardrails in FY25, disbursements in the first nine months of FY26 have started to pick up, with the company disbursing INR 35,916.1 million in 9MFY26 compared to INR 24,230 million in 9MFY25 (FY25: INR33,075.8 million).Ind-Ra believes the scaling-up of the platform with the increase in on-balance and off-balance sheet exposure while onboarding new co-lenders over the near-to-medium term will drive EQX's profitability and remains a key monitorable.

Adequately Capitalised at Group-level for Current Scale of Operations: Since inception, MTPL has raised around INR8261 million of equity from a diverse set of sources such as private equity players, promoters and high net-worth individuals. MTPL's promoters have experience of over 20 years in investment banking and private equity. MTPL has supported ACAPL and EQX by infusing regular capital to support growth plans. At end-9MFY26, the consolidated tangible net worth (tangible net worth=net worth adjusted for intangible assets and deferred tax assets, as per Ind-Ra methodology) was INR7,808 million, with a consolidated leverage (debt/tangible equity) of 2.5x (FY25: 1.3x, FY24: 1.2x FY23: 1.4x). On a standalone basis, ACAPL's tangible net worth was INR7,311 million and its leverage (debt/tangible equity) was 2.5x at end-9MFY26 (FY25: 1.5x, FY24:1.5x FY23: 2.4x). ACAPL received a fresh equity infusion of INR294.7 million from MTPL over November and December 2025. ACAPL's capital buffers remain adequate for its current scale of operations, with a tier 1 capital ratio of 19.9% in 9MFY26 (FY25: 31.2%, FY24: 31.4%; FY23: 33.9%). Ind-Ra expects regular infusions from MTPL (standalone net worth of INR10,188.5 million at end-December 2025) in the form of equity to help ACAPL maintain adequate capital buffers. The company plans to maintain its leverage below 3.5x and the consolidated leverage below 3.0x. In addition, Ind-Ra expects ACAPL to receive capital support from MTPL for growth, and that MTPL will maintain adequate capital buffer in the form of unencumbered cash and liquid investments to meet the contingent needs of the lending entity.

Defined Product in Form of Credit Line; Yields Partially Price in Risk: Stashfin primarily extends digital personal credit lines with an average loan tenor of 12-36 months, accessed through its flagship Liberate product. Loans are disbursed through revolving credit lines, offering customers flexibility while enabling the company to maintain granular, short-to-medium-tenor exposures. The monthly yield on these loans ranges from 1.5% to 3.25%, although the company has reduced lending rates since November 2024 in response to competitive dynamics and regulatory considerations. Following the discontinuation of the Elevate product, —its higher-yield loan offering, the portfolio mix has shifted decisively toward the lower-yield but more stable Liberate segment. As a result, Liberate constituted 99.5% of the portfolio at end-December 2025, up from 97% a year earlier. This transition reflects management's strategic focus on scaling a standardised, mass-market product with a lower risk and improved customer retention characteristics.

Under the Liberate product, Stashfin sanctions credit lines with a maximum tenor of 36 months, which customers may draw upon up to five times, at any point, within the sanctioned limit. Each individual drawdown is treated as a fresh term loan, with its own loan identification number, tenor, and pricing parameters. While the customer retains a single unique customer ID, each loan cycle is booked separately, enabling granular tracking of repayment behavior and risk performance. The model incorporates a 30-day interest-free 'free credit period', enhancing customer value while supporting repeat usage. Furthermore, no foreclosure charges are applied across any products or tenor.

EQX generates income through a lead generation fee for incremental new leads generated to build AUM for Liberate booked under ACAPL, excluding repeat customers. EQX is a loan service provider, and hence, its income is in the form of lead generation fee income and the excess interest spread on co-lending. Over the next 12 months, the management expects EQX to begin recognising excess interest spread (EIS) income through the hurdle rate mechanism, which would diversify revenue streams beyond lending spreads. In parallel, the company is developing a suite of non-lending, value-added services within EQX—including bond distribution, bill-payment solutions, and UPI-based payment offerings. While currently at an early stage, these initiatives are intended to enhance customer stickiness, increase engagement on the Stashfin app, and ultimately improve unit economics and monetisation.

Profitability Under Pressure Due to Elevated Share-Based Payments; Consolidated Performance Weak in 9MFY26: At the consolidated level, the company earned profits before exceptional items of INR274 million in 9MFY26. However, the profitability was substantially undermined by high share-based payment (SBP) expenses amounting to INR292 million during the same period. After incorporating this non-cash charge, the company recorded a loss before tax of INR18.2 million. The loss further widened due to a significant tax expense of INR196 million, resulting in a net loss of INR214.27 million in 9MFY26 (FY25: profits of INR111 million, FY24: INR249 million; FY23: INR258 million), implying a return on AUM of negative 1.3% in 9MFY26 (FY25: 0.6%). Profits adjusted for the notional items like forex loss and SBP expenses stood at INR286 million for 9MFY26 (FY25: INR852 million). At the consolidated level, the operating cost to average assets increased to 8.1% (FY25: 4.9%) due to the high share-based payment to employees.

At the standalone level, ACAPL's net profit declined to INR384 million in 9MFY26 (9MFY25: INR752 million, FY25: INR848 million). Furthermore, EQX remained loss making, with a net loss of INR418 million in 9MFY26 (FY25: loss of INR521 million, 9MFY25: loss of INR444 million FY24: loss of INR394 million). The sustained losses are mainly a result of the share-based payment (SBP) expenses of INR196.7 million in 9MFY26 (FY25: INR375 million), which continue to materially depress its financial performance. Additionally, the total income declined toINR306 million in 9MFY26 (9MFY25: INR321 million), reflecting the closure of co-lending income streams, which previously formed a significant share of EQX revenues.

Modest Borrower Profile Reflected in Asset Quality Pressure: Stashfin operates in an unsecured segment wherein the borrower profile is modest, with the borrowers being aged between 25 years to 40 years, and earning an average of INR40,000-70,000 per month**.** Furthermore, about 62% of the borrowers are salaried and 65% of the borrowers have a bureau score above 750. Even though the end-use of the loan amount remains difficult to assess, some of the uses could be for various purposes such as travel, medical, educational exigencies, home repairs and weddings. The gross non-performing assets (GNPAs) increased to 4.7% in 9MFY26 (FY25: 4.3%; 9MFY25: 4.0%; FY24: 4.0%). ACAPL's write-off plus GNPAs reduced to 8.8% of trailing 12-month disbursement in 9MFY26 (9MFY25: 11.5%), however, it remains elevated and a key rating monitorable. ACAPL and EQX have written off 7.0% of the loans since the inception; however, on a twelve-month lagged basis, the write offs stood at 7.6% at end-December 2025. The trajectory of ACAPL's asset quality will be a key monitorable.

High Funding Concentration, Diversification Required among Banks and Non-banks: At end-December 2025, the top five lenders contributed 68.7% to the funding, which also includes 30% contribution from Morus- Fasanara Capital (in the form of ECB), indicating high lender concentration. The company has also borrowed funds from bonds (33.5%), non-banking finance companies (NBFCs; 23%), banks (5%) and AIFs (7.5%). While ACAPL has borrowed from banks, their share remains low in the overall proportion and compared to those of peers. That said, ACAPL's total number of lenders improved to 28 in 9MFY26 (9MFY25: 24). Furthermore, the average cost of borrowing for ACPAL has moved up due to forex losses incurred by the company. However, forex loss is notional in nature. In 9MFY26, the company incurred a forex loss of INR208.3 million that elevated its overall borrowings cost. The company has hedged its ECBs. ACAPL's ability to diversify funding across banks and NBFCs and a material reduction in the concentration across lenders are key monitorable. Fasanara Capital Ltd (a shareholder in MTPL) has provided ECBs support to ACAPL through MTPL wherein it has sanctioned committed three-year tenor debt lines of USD75 million, of which USD19 million was unutilised at end-

December 2025. During 9MFY26, Akara raised INR488.8 million in the form of ECBs from parent at interest rate range of 8.85 to 10% range. Ind-Ra believes MTPL's support to ACAPL in the form of liquidity and the capital support to grow its balance sheet will further gain importance post the full utilisation of ECBs.

Regulatory Risk: Digital lending in India continues to undergo significant regulatory tightening, especially following the Reserve Bank of India's Digital Lending Directions, 2025, which merge earlier frameworks and strengthen governance, transparency, and customer protection across lenders and fintech partners. The Reserve Bank of India has also tightened rules on default loss guarantee (DLG) by directing NBFCs to exclude fintech-provided DLGs when provisioning for stressed loans, reducing the appeal of fintech-originated portfolios and prompting lenders to reinforce underwriting capabilities. These changes, along with stricter due diligence norms and expanded oversight of digital lending apps and multi-lender LSP arrangements, aim to curb mis-selling, improve data privacy safeguards, and enhance borrower confidence. As the sector gradually expands beyond unsecured personal loans into adjacent and asset-backed segments, compliance requirements and operating costs are expected to rise under new verification and governance mandates; however, clearer regulations and standardised practices could support improved unit economics for digital lenders over the medium term.

Liquidity

Adequate: At end-December 2025, ACAPL's contractual structural liquidity statement had a cumulative surplus as a percentage of total assets of 28% in the less-than-one-year bucket, excluding committed undrawn lines, because of the funding duration of over two years and assets-side duration of about one-and-a-half-years. Regarding the liquidity buffer, there is a board-approved policy, and the management maintains an on-balance sheet liquidity to manage one and a half months of debt repayments. ACAPL had unencumbered cash and liquid investments of about INR3100 million at end-February 2026. It was sufficient to meet two months of debt obligations of INR2,210 million for the month of March and April 2026. ACAPL also had unutilised line of USD19 million from Fasanara Capital. Furthermore, MTPL's equity has INR10,188 million of equity at end-9MFY26, which can flow down to ACAPL, as and when required. This level of equity support would be required for growth as well as providing support for repayments in changing the operating environment. Ind-Ra expects ACAPL to keep at least three months of unencumbered liquidity at any point of time for covering debt repayments and operating expenses.

Rating Sensitivities

Positive: The following developments collectively could result in a positive rating action:

- franchise expansion leading to a significant improvement in the profitability buffers
- widening and deepening of liability relationships with existing and new type of lenders
- adequate control on credit cost, along with the seasoning of the portfolio

Negative: Following factors that can individually or collectively lead to a negative rating action:

- sharp deterioration in the scale of operations, inability to tie-up funding for growth which could lead to a significant weakening of the profitability and/or capital buffers
- challenges in raising funds and dilution of liquidity buffers.
- leverage (debt/tangible net worth) exceeding 3.0x on a sustained basis
- sustained deterioration in the asset quality
- any regulatory changes or guidelines impacting the overall business model

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 ACAPL, 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

Founded in 2016, ACAPL is a non-deposit taking, systemically important NBFC, which provides loans mainly unsecured personal loans of up to INR0.5 million through line of credit to salaried as well as self-employed. The company has an entirely branchless lending model, and its corporate office is in Gurugram.

Key Financial Indicators

ACAPL Standalone

Particulars	9MFY26	FY25	FY24
Tangible assets (INR million)	27,750	18,321	14,955
Tangible equity (INR million)	7,311	6,841	5,578
Net income (INR million)	384	848	688
Return on average AUM (annualised, %)	1.9	4.9	4.2
Tangible Equity/ Tangible Assets (%)	26.3	37.3	36.4
Gross Stage-3 assets (% of AUM)	4.7	4.3	4.0
Source: ACPL, Ind-Ra's analysis			

MTPL Consolidated

Particulars	9MFY26	FY25	FY24
Tangible assets (INR million)	28,787	20,771	17,491
Tangible equity (INR million)	7,808	8524	7,509
Net income (INR million)	-214.27	111	249
Return on average AUM (annualised, %)^	-1.3	0.6	1.5
Tangible Equity/ Tangible Assets (%)	27.7	42.2	42.9
Source: MTPL, Ind-Ra's analysis			

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	13 March 2025	18 March 2024	7 August 2023
Non-convertible debentures	Long-term	INR2,000	IND BBB/Stable	IND BBB/Stable	IND BBB/Stable	IND BBB/Positive
Bank loan	Long-term	INR500	IND BBB/Stable	IND BBB/Stable	IND BBB/Stable	IND BBB/Positive

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator

Bank loan facilities	Low
Non-convertible debenture	Low

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

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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

Evaluating Corporate Governance

Financial Institutions Rating Criteria

Non-Bank Finance Companies Criteria

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