

'CareEdge B-/Stable' assigned to ICL Fincorp Limited

USD 25 million External Commercial Borrowings

CareEdge B-/Stable

CareEdge Global has assigned a Long-Term Foreign Currency rating of '**CareEdge B-/Stable**' to external commercial borrowings (ECBs) of ICL Fincorp Limited (ICL/company).

Rationale

ICL's rating is supported by its established presence in the gold loan sector, with a largely secured, short-tenor portfolio backed predominantly by gold ornaments (99.4%), ensuring strong collateral coverage. The company's assets under management (AUM) recorded a CAGR of 28% over FY22–FY26 to reach Rs 9.8 billion at the consolidated level as of March 31, 2026, along with an improvement in asset quality (GNPA/NNPA at 0.6%/0.4%).

However, the rating is constrained by ICL's weak profitability, as reflected in a low RoA of 0.4% and an RoNW of 3% in FY26, primarily due to elevated operating costs. The cost-to-income ratio is high at 94% because of branch expansion and marketing expenses. Further, though ICL's AUM has been growing, its scale is modest relative to peers. The rating is also tempered by a concentrated funding profile reliant on non-convertible debentures (NCDs; 84% of borrowings), resulting in a relatively high cost of funds and moderately high leverage at 5.7x, alongside a historically modest capital adequacy ratio (CAR) buffer.

Outlook

The 'Stable' outlook indicates CareEdge Global's expectation that ICL will continue to scale up its business conservatively, while maintaining leverage and asset quality metrics along with improving profitability as its branches mature.

Rating sensitivities

Upward factors

- Significant growth in the AUM while maintaining asset quality
- Reduction in operating expenses, leading to improved profitability metrics

Downward factors

- Weakening of the capitalisation profile and leverage deteriorating beyond 6x on a sustained basis
- Increase in credit costs or operating expenses, adversely impacting RoA on a sustained basis
- Deterioration in the resource raising ability, impacting the overall capital structure

Analytical approach

CareEdge Global has assessed ICL's business and financial risk profile on a consolidated basis, including its subsidiary Salem Erode Investments Limited (SEIL), given the business synergies and common management.

Key rating drivers

Strengths

Fully secured portfolio with a strong collateral coverage

ICL benefits from a structurally strong lending model, with 99.4% of its AUM secured by liquid and market-linked gold assets to significantly mitigate credit risk. This tangible security ensures strong recovery prospects and limits loss severity. In addition, the company applies prudent underwriting standards, maintaining loan-to-value (LTV) ratio of ~65%, in line with industry standards, providing adequate buffer against gold price volatility. Robust processes for collateral verification and storage further enhance the security cover.

Comfortable and improving asset quality metrics

ICL has demonstrated a comfortable and improving asset quality profile, supported by its secured portfolio, short-tenor loan structure, and effective recovery mechanisms. Its GNPA declined to 0.6% as of March 31, 2026, from 1.1% a year prior, while its NNPA was contained at 0.4%, reflecting strengthened portfolio quality and disciplined risk management. The company follows a structured collection framework, with timely follow-ups and escalation processes. Delinquent accounts are addressed through prompt auction initiation once a loan crosses 90 days past due, limiting asset ageing.

Rich experience of promoters and established regional brand presence

ICL benefits from a long operational history in the gold loan business, with the current promoters managing the franchise since 2004 and actively operating the gold loan business since 2013. Leveraging their established presence, they have shown resilience across several credit cycles. The promoters' active involvement in day-to-day operations facilitates quick decision-making and execution agility, while the presence of experienced management provides stability to the business model. Furthermore, given its operational vintage, ICL has built deep customer relationships in its key areas of operations (South India), which has strengthened its brand equity to effectively tap retail investors for borrowings and equity infusions.

Weaknesses

High operating costs weaken profitability metrics

ICL's profitability is constrained by relatively high operating costs, with the cost-to-income ratio at 94% in FY26 (97% in FY25). Expenses are high because of ongoing investments in branch expansion, as well as increased marketing and branding spend in newer geographies. While these investments are strategic and aimed at strengthening franchise value and supporting long-term growth, they continue to weigh on near-term profitability. Consequently,

profitability indicators remain subdued, with a low RoA of 0.4% and an RoNW of 3% in FY26. These figures are below industry benchmarks and continue to limit internal accruals. Improvement is expected as branch expansion moderates and operating leverage improves. However, the company's ability to rationalise costs and translate growth into sustainable profitability remains a key monitorable.

Resource profile is concentrated, resulting in elevated borrowing rates

ICL's resource profile is relatively concentrated, with NCDs constituting ~84% of total borrowings as of March 31, 2026. While supporting growth, it results in a relatively higher cost of funds, with borrowing cost averaging ~12% (improved from 12.5% in March 2025).

The reliance on retail NCDs exposes the company to higher funding costs compared with more diversified peers that have access to lower-cost bank and institutional funding. ICL has initiated steps to diversify its funding mix by increasing bank borrowings and exploring alternative sources such as overseas funding routes. While these measures are expected to improve funding flexibility and reduce borrowing costs over time, the current funding concentration remains a key constraint.

Growing, albeit modest scale of business

ICL has demonstrated steady growth, with its AUM expanding at a CAGR of 28% from Rs 3.4 billion as of March 31, 2022, to Rs 9.8 billion as of March 31, 2026. Despite this trajectory, the company continues to operate at a modest scale relative to its gold loan peers, which constrains its competitive positioning, particularly in terms of brand equity, customer acquisition, and funding access.

The company is undertaking calibrated expansion through branch additions and gradual geographic diversification beyond its core southern markets. While this supports medium-term growth prospects, these initiatives are at an early stage and yet to materially contribute to the overall portfolio.

Moderate capitalisation with an elevated leverage

ICL's capitalisation profile has improved. CAR increased to 20% as of March 31, 2026 (from 15% as of March 31, 2024), supported by periodic equity infusions. However, the buffer remains moderate, with capitalisation averaging 18% over the past five years, limiting resilience against potential stress. Internal capital generation is also constrained by weak profitability.

Leverage remains relatively high at 5.7x as of March 31, 2026 (6.2x as of March 31, 2025), restricting financial flexibility vis-à-vis peers. Though timely capital raising (Rs 0.8 billion over the past three years) reflects investor support, the company's ability to strengthen capital buffers and manage leverage through improved earnings will bear watching.

Liquidity

ICL has adequate liquidity, supported by the short-tenor nature of its gold loan portfolio and healthy collection efficiency, typically exceeding 90%. The predominantly sub-six-month loan tenor ensures relatively quick cash inflows, aiding asset-liability management (ALM). As of March 31, 2026, no ALM mismatches were reported at a cumulative level. For the same reporting date, the company's liquidity cover was 120% for six-month debt obligations.

Environmental, social and governance (ESG) considerations

ICL's ESG profile is moderate, defined by limited explicit disclosures but inherent strengths arising from its business model. The company's operations have a relatively low direct environmental impact, being service-oriented with a branch-based lending model. Socially, the company contributes positively by providing small-ticket, short-tenor loans to underserved segments in semi-urban and rural areas, thereby supporting financial inclusion and emergency liquidity needs.

From a governance perspective, the company benefits from an experienced promoter group with active involvement in operations, although the overall governance framework and disclosures are relatively modest compared with larger peers. Risk management practices, particularly in collateral handling and recovery processes, are established but continue to evolve with scale.

About the company

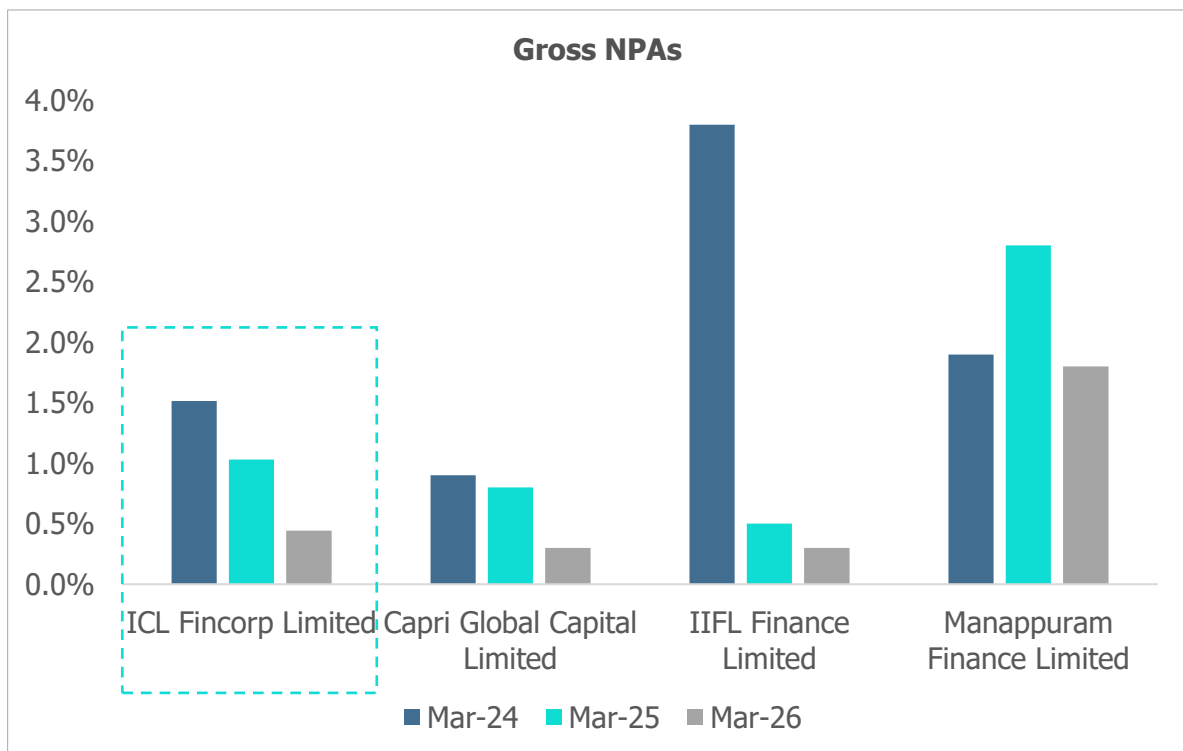
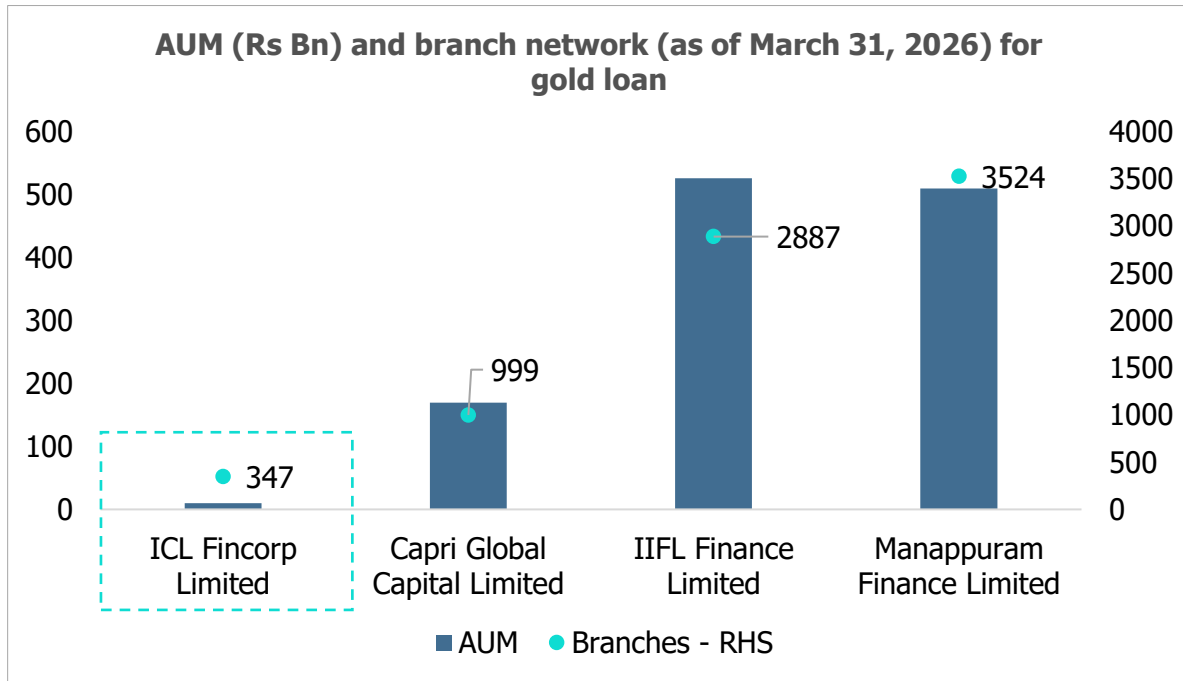
ICL Fincorp Limited (ICL) is a non-deposit taking NBFC engaged in providing gold loans to retail customers. Incorporated in 1991, the company operates through an extensive network of over 300 branches across India, with a strong presence in the southern states of Kerala and Tamil Nadu. The company focuses on small-ticket, short-tenor loans against gold jewellery, catering largely to customers in semi-urban and rural areas who require quick and convenient access to liquidity.

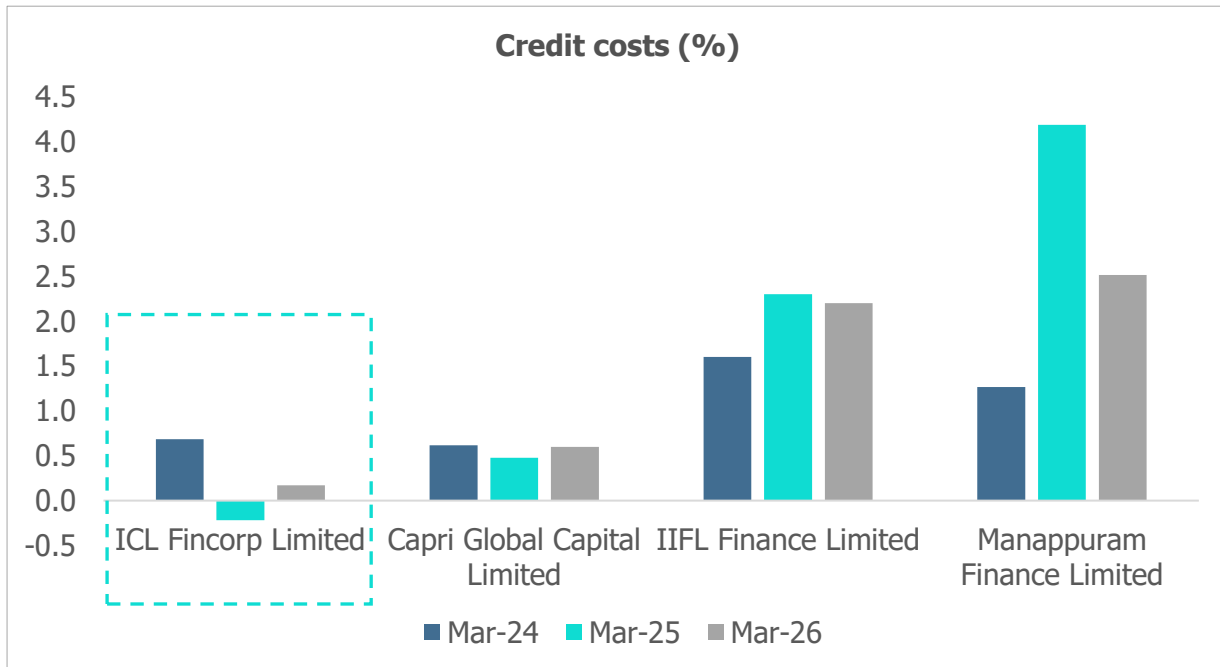
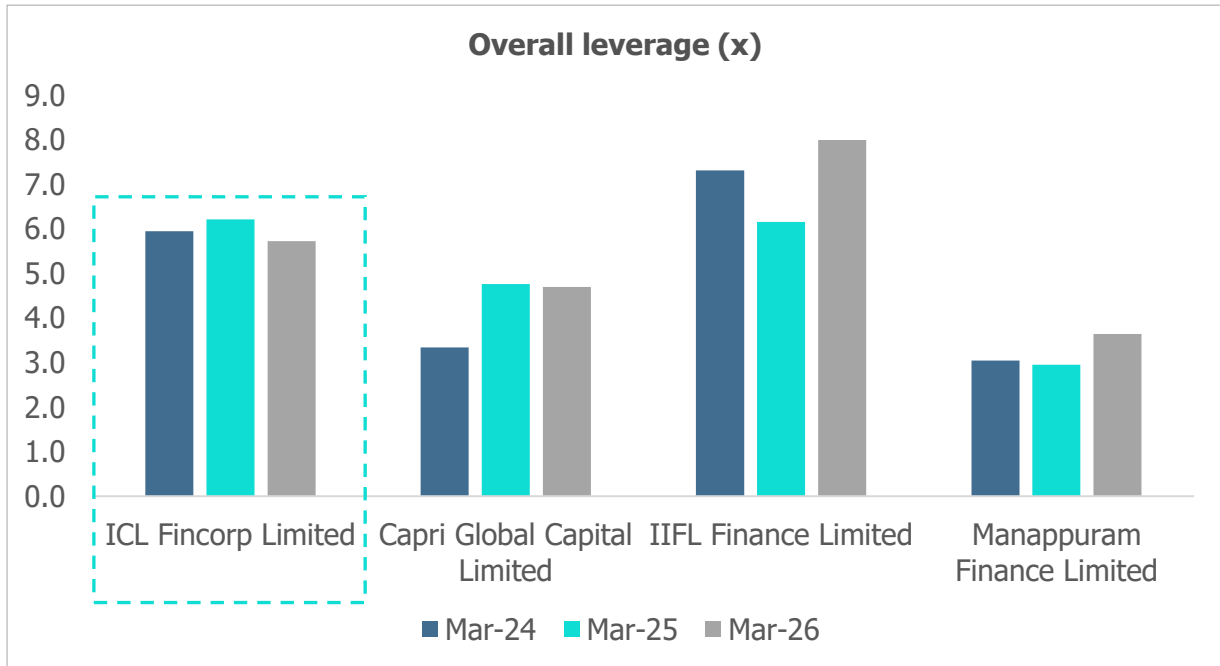
ICL's business model centres around secured lending, featuring a portfolio entirely backed by gold, enabling controlled credit risk. Over the years, the company has gradually expanded its geographic footprint and customer base, while adhering to operational processes, risk management, and collection policies. The company continues to pursue calibrated growth, supported by branch expansion and increased penetration in newer markets.

About Salem Erode Investments Limited (SEIL) – ICL's subsidiary

In 2020, ICL acquired a 75% stake in SEIL, a BSE-listed gold-lending NBFC. Consequently, SEIL's operations were fully consolidated into ICL. It operates in a similar line of business and has strong operational and financial linkages with its parent. However, SEIL's scale remains relatively small, with an AUM of Rs 173 million as of March 31, 2026.

Peer comparison





Key financial metrics (consolidated)

Particulars	Unit	March 31, 2024	March 31, 2025	March 31, 2026
AUM	Rs Bn	4.9	6.6	9.8
Net interest margin	%	14.9	16.0	13.8
Cost to income	%	94.4	97.1	94.1
Gross stage 3 assets	%	1.6	1.1	0.6
RoA	%	0.0	0.3	0.4
CAR	%	15.0	19.7	20.4

Solicitation status

The rating is solicited. The management has provided information to and held meetings with the CareEdge Global analytical team for the rating.

Details of the instrument

Instrument	ISIN	Date of issuance	Coupon rate (%)	Maturity date	Issue size	Rating
External commercial borrowings	-	-	-	-	USD 25 mn	CareEdge B-/Stable

Rating history

Instrument	Type	Rating	Date
External commercial borrowings	Long-Term Foreign Currency	CareEdge B-/Stable	June 17, 2026

Criteria applied

[CareEdge Global's Financial Institutions Rating Methodology](#)

[CareEdge Global's Consolidation Methodology](#)

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