

September 22, 2025

Shalibhadra Finance Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund based/Others	40.00	40.00	[ICRA]BBB- (Stable); reaffirmed

*Instrument details are provided in Annexure I

Rationale

Shalibhadra Finance Limited's (Shalibhadra) rating factors in its operational track record in two-wheeler (2W) financing and its established dealer and sub-dealer network, which is likely to aid its loan book and earnings growth. The rating also takes into consideration the company's comfortable capitalisation levels (gearing of 0.2x and regulatory capital adequacy ratio (CAR) of 87.0% as on June 30, 2025) and healthy profitability with a return on assets (RoA) of 8.9% in FY2025.

The rating is, however, constrained by the modest scale of operations (loan book of Rs. 182 crore as on June 30, 2025) and the monoline nature of the business. Shalibhadra's asset quality remains moderate with 90+ days past due (dpd) of 4.3% as on June 30, 2025. The asset quality remains exposed to the inherent risk in the company's primary business (2W financing) and the relatively weaker credit profile of the borrowers. Further, its operations are geographically concentrated in Gujarat (accounted for around 59% of the portfolio as on June 30, 2025, though lower than 70% as on March 31, 2018).

The Stable outlook on the long-term rating factors in the comfortable capitalisation profile, which is likely to support the growth in the medium term, and healthy profitability.

Key rating drivers and their description

Credit strengths

Long track record in 2W financing and established relationships with dealers – Shalibhadra, which started operations in 1995, has a long track record and experience in the 2W financing business. It has entered into tie-ups with local dealers and sub-dealers over the years for sourcing business and facilitating the repossession and sale of vehicles. The company's loan book grew by 31% year-on-year (YoY) in FY2025 to Rs. 180 crore as on March 31, 2025 (Rs. 182 crore as on June 30, 2025). Shalibhadra's long track record of operations in the 2W segment provides comfort.

Comfortable capitalisation and profitability – The company's capitalisation profile remains comfortable for the current scale of operations with a net worth of Rs. 159 crore as on June 30, 2025 (CAR of 87.0% and gearing of 0.2x). The company received equity of ~Rs. 46 crore from the promoters and high-net-worth individual (HNI) investors in FY2025. Shalibhadra is in the process of applying for a housing finance company (HFC) licence from the Reserve Bank of India (RBI). ICRA expects the current capitalisation to support the growth in the medium term.

Shalibhadra has a track record of reporting good profitability indicators. ICRA notes that the company has not posted a net loss in any quarter in the last 10 years. The RoA increased to 8.9% in FY2025 from 8.0% in FY2024, driven by reduced credit costs and lower operating expenses. However, due to competitive pressure, the net interest margin (NIM) was impacted in FY2025 and Q1 FY2026 despite the low gearing, though it remains strong. The company reported an annualised RoA of 9.1% in Q1 FY2026. In the medium term, Shalibhadra's ability to maintain good operating efficiency and control its credit costs would be critical for profitability. ICRA takes cognisance of the contingent liability of Rs. 7.79 crore (4.9% of the net worth, as on June 30, 2025, against which it has deposited Rs. 40 lakh with the Income Tax Department) in relation to tax payable pertaining to

cash deposits during the demonetisation period. This matter is currently pending before the Commissioner of Income Tax (CIT), Appeals. The crystallisation of the same would impact the company's capitalisation to an extent.

Credit challenges

Moderate scale and high geographical concentration; monoline nature of business – Shalibhadra's scale of operations remains moderate with a loan book of Rs. 182 crore as on June 30, 2025 (Rs. 138 crore as on March 31, 2024). Also, its operations remain focussed in Gujarat, leading to geographical concentration. As on June 30, 2025, Gujarat accounted for 59% of the loan book (49% as on March 31, 2023). The company has been looking to improve its geographical diversity by expanding to Maharashtra and Madhya Pradesh, which accounted for 41% of the total portfolio as on June 30, 2025. Shalibhadra aims to diversify its geographical presence further with an increase in its scale of operations in the long term. Its nature of business is currently monoline with the entire loan book concentrated towards 2W financing (new and used). However, the company has plans to expand into other segments such as housing loans. Its ability to build the management team and systems to diversify into new segments will be monitorable.

Relatively weaker customer profile – Shalibhadra's portfolio vulnerability remains relatively high on account of the inherent risks associated with 2W financing and the comparatively moderate credit profile of the borrowers. Also, its customers are highly dependent (directly and indirectly) on agriculture-based income, which makes them susceptible to climatic risks and seasonality. Shalibhadra reported gross non-performing advances (NPAs) of 2.9% (150+ dpd) as on March 31, 2025 (3.1% (150+ dpd) as on March 31, 2024). Further, it started recognising NPAs at 120+ dpd w.e.f. 01 April 2025 and reported gross NPAs of 3.1% as on June 30, 2025. Including write-offs in FY2025 and repossessed vehicles, gross NPAs stood at 3.9% as on March 31, 2025 (4.7% as on March 31, 2024). With improved provisioning, the net NPAs have been reducing and stood at 0.8% as on March 31, 2025 and 1.0% as on June 30, 2025. The company's ability to contain credit costs, with the growth in the portfolio, would be a key monitorable.

Environmental and social risks

Environmental considerations: Given the service-oriented business of Shalibhadra, its direct exposure to environmental risks/material physical climate risks is not significant. Lending institutions can be exposed to environmental risks indirectly through their portfolio of assets; almost the whole of Shalibhadra's portfolio is towards vehicle financing. The residual value of the security in the vehicle finance business could decline in case of policy changes, such as an incremental ruling on the reduction in the operating life of vehicles, thereby impacting the profitability. Further, there is increasing interest from policymakers towards identifying the exposure of financing companies to carbon emissions through their financing activities. However, this process is in an early stage and ICRA expects any adverse implications to manifest only over a longer time horizon, giving financing companies adequate time to adapt and minimise the credit implications.

Social considerations: With regard to social risks, data security and customer privacy are among the key sources of vulnerability for lending institutions as material lapses could be detrimental to their reputation and invite regulatory censure. Shalibhadra has not faced any significant lapses on this regard. It serves the financing needs of a relatively underserved category of borrowers, supporting social inclusion and economic development.

Liquidity position: Adequate

The liquidity position is adequate with no negative cumulative mismatches in the Statement of Structural Liquidity as on June 30, 2025, given the low leverage and largely similar tenor of the loan book and the borrowings. Shalibhadra had unencumbered cash and cash equivalents of Rs. 4.7 crore, liquid investments of Rs. 8.8 crore and unutilised bank lines of Rs. 1.5 crore as on June 30, 2025. This is adequate to meet the scheduled debt repayments of Rs. 10.5 crore due till December 2025.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if the company is able to significantly increase its scale of operations while maintaining its asset quality and profitability with diversification in the funding profile.

Negative factors – ICRA could downgrade the rating if there is a material deterioration in the asset quality on a sustained basis, impacting the profitability.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Non-banking Finance Companies (NBFCs)
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Shalibhadra Finance Limited (Shalibhadra), registered with the Reserve Bank of India (RBI) as a non-banking financial company (NBFC), was incorporated in 1992 and commenced operations in 1995. The company was listed on the Bombay Stock Exchange (BSE) in 1995. Shalibhadra was promoted by Mr. Minesh Doshi, who is currently the Managing Director. It was initially engaged in four-wheeler (4W) financing and was operational in the urban/semi-urban areas of Gujarat. However, on account of increasing competition from banks and other NBFCs in 4W financing, the company shifted its focus towards two-wheeler (2W) financing in rural areas.

At present, Shalibhadra is engaged in 2W financing in rural, semi-rural, and other underbanked areas in Gujarat, Maharashtra, Madhya Pradesh and Rajasthan. Its head office is in Mumbai. As on June 30, 2025, the company had a portfolio of Rs. 182 crore, spread across 53 branches.

Key financial indicators (audited)

Shalibhadra Finance Limited	FY2024	FY2025	Q1 FY2026*
Total income	32.8	36.5	9.5
Profit after tax	12.0	16.0	4.6
Total managed assets	158.2	199.2	202.2
Return on managed assets	8.0%	8.9%	9.1%
Gearing (times)	0.60	0.24	0.22
Gross NPA	3.1%	2.9%	2.8%
CRAR	70.2%	85.7%	87.0%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; * Provisional numbers

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs crore)	Sep 22, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund Based- Others	Long Term	40.00	[ICRA]BBB- (Stable)	Sep 02, 2024	[ICRA]BBB- (Stable)	Oct 04, 2023	[ICRA]BBB- (Stable)	-	-
				-	-	Apr 28, 2023	[ICRA]BBB- (Stable)	-	-
Fund Based- Cash Credit	Long Term			-	-	Apr 28, 2023	[ICRA]BBB- (Stable)	-	-
				-	-	Apr 28, 2023	[ICRA]BBB- (Stable); withdrawn	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund based/Others	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long term – Fund based/Others	NA	NA	NA	40.00	[ICRA]BBB- (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Not applicable	Not applicable	Not applicable

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Branches



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