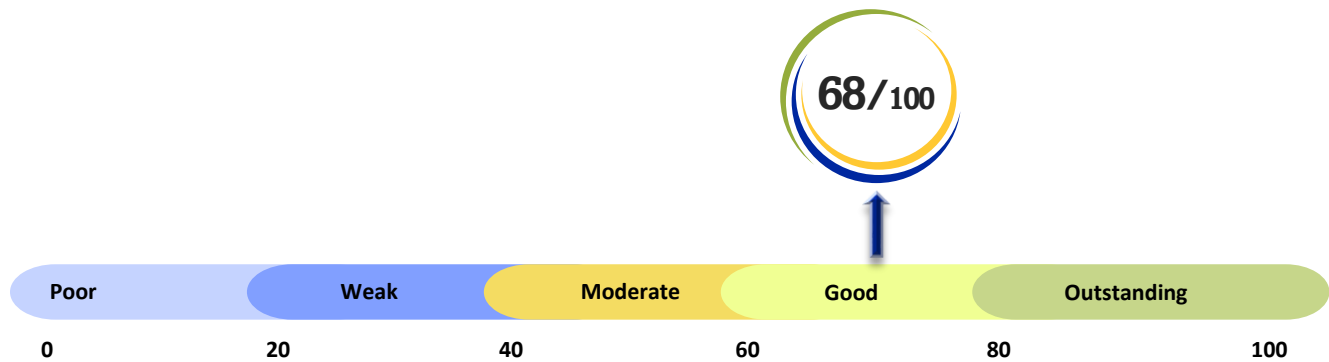
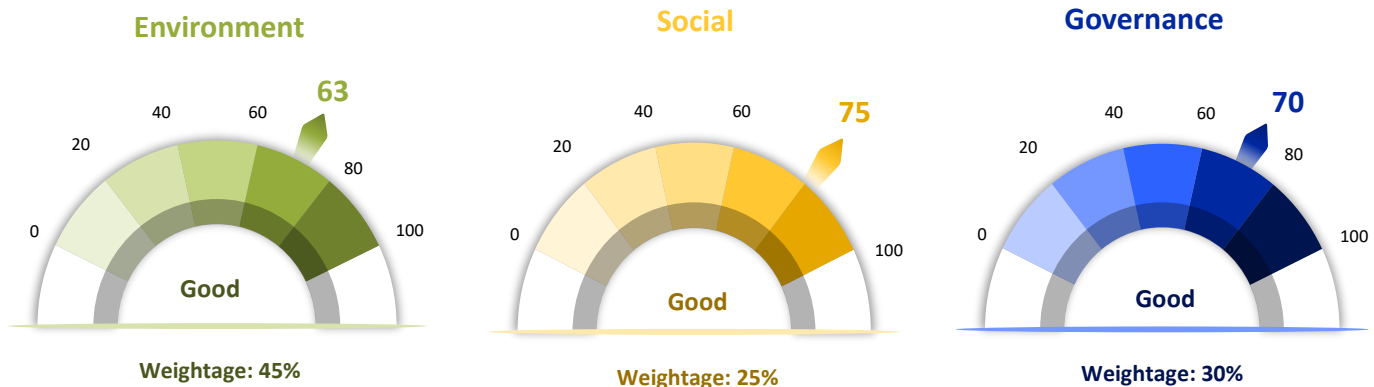


September 09, 2025

**Vistaar Financial Services Pvt Ltd: Rating assigned****Summary of rating action**

| Vistaar Financial Services Pvt Ltd | Previous Score | Current Score | Rating Symbol | Rating Movement |
|------------------------------------|----------------|---------------|---------------|-----------------|
| ESG Impact Rating                  | -              | 68            | Good          | -               |

**Rationale**

ICRA ESG has assigned an ESG Impact Score of 68 (Good) to Vistaar Financial Services Pvt. Ltd. (VFS), which favourably factors in the entity's low environmental footprint, adequate employee policies, favourable social impact of business, and an inclusive and professional governance approach. However, the score is constrained by very early-stage sustainability reporting with the absence of formal sustainability targets and policies, challenges in employee retention and a modest Corporate Social Responsibility (CSR) programme.



## Environment

**63 (Good)**

VFS operates with a relatively low direct environmental footprint, which is consistent with its role as a financial services provider and benefits its environmental impact score.

While the overall energy intensity remains low—primarily due to limited electricity use in offices, most of which are non-air conditioned—renewable energy adoption and associated policies and formal energy management systems are currently lacking. This is partly due to operational constraints, such as the absence of owned office spaces. In terms of emissions, the company generates Scope 1 and Scope 2 greenhouse gas (GHG) emissions of approximately 147 and 491 tonnes of CO<sub>2</sub>, respectively, resulting in a combined emission intensity of 0.69 tonnes of CO<sub>2</sub> per crore of revenue which are low—typical for a financial institution. VFS has not initiated Scope 3 emissions accounting and lacks any formal policy, strategy, or targets to reduce its carbon footprint.

Water consumption for FY2025 stood at 1,131.608 KL, primarily attributed to human consumption and sanitation needs, translating to a water intensity of 1.23 m<sup>3</sup> per crore of revenue, which indicates low water intensity. However, the company does not treat water before discharge, due to lack of operational control over its office premises. There is a lack of formal policy, strategy, or targets to manage water pollutants or reduce discharge. Strengthening water conservation efforts within its operational control is important to strengthen the company's water management profile. Waste generation is minimal, tracking limited to only e-waste, which however is disposed responsibly. While efforts like digitalisation have reduced paper waste, the exact extent of the effectiveness is not being tracked currently. VFS is yet to developing mechanisms to track progress or report achievements in the above areas, which shows the nascent stage of its sustainability profile.

On the supply chain front, VFS demonstrates a strong commitment to supporting local and small-scale suppliers, with 92% of its total procurement sourced from Micro, Small, and Medium Enterprises (MSMEs) or small producers within India. The company also conducts vendor due diligence, including checks for ethical compliance such as anti-bribery clauses. While this reflects responsible supplier governance, VFS is yet to set up formal initiatives or monitoring mechanisms to promote an environmentally responsible supply chain. In terms of financed portfolio, at present the company does not have lending products that focus specifically on environmental aspects.

The company does not have operations or offices in ecologically sensitive areas that would require environmental approvals or clearances. However, a dedicated biodiversity policy or some programmes around biodiversity conservation indicating a company's maturity around ESG practices are yet to be established at VFS.

Thus, the overall environmental profile of the company reflects its low impact nature, but the need to address those limited impacts through structured policies, time bound programmes and targeted reduction initiatives.



## Social

**75 (Good)**

VFS' social impact is characterised by its adequate employee benefit coverage, satisfactory grievance redressal mechanisms, focus on data security and positive social impact.

Benefits include health and life insurance and various leaves aligning with good workplace policies. A formal health and safety policy is in place under which regular interventions are conducted. There have been no employee related injuries or concerning health incidents in the year FY2025. The company has established a multi-tiered grievance redressal mechanism both internally as well as for customers to raise complaints. The mechanism is built to be accessible to regional customers with efforts to ensure resolution within 48 hours, including internal processes to review rejected complaints, reinforcing fairness and accountability in customer service. There has been an increasing trend in complaint volumes; albeit with high resolution levels. On the technology front, VFS has built strong IT systems to ensure data protection and cybersecurity resulting in no material breaches in the last few years. The company has also implemented well equipped internal technology driven platforms, which aid business efficiency and service quality. In comparison to its operating scale, recent reports of fraud cases remain low. The aforementioned practices, combined with internal controls, contribute to a resilient and customer-centric foundation for business relationships.

On the community front, VFS has a modest CSR budget, which is focused on education and healthcare. These include mobile medical units operating in five locations and a scholarship programme that has benefited over 3,100 students across Karnataka. Although no formal impact assessments are conducted, the company tracks its CSR performance through internal reporting mechanisms. In addition, VFS contributes to livelihood support by generating jobs in rural areas, including Tier 5 and 6 towns as it maintains a preference for local talent. Its commitment to responsible business conduct is also reflected in its preference for sourcing materials from local MSMEs and artisans. While these practices reflect its socially aligned initiatives, VFS' lending portfolio also creates a favourable social impact. The company has served over two lakh customers, with a strategic focus on first-time borrowers and micro-enterprises in rural and semi-urban regions, primarily converting them to formal financing channels, leading to financial inclusion and livelihood improvement in local communities.

Despite these strengths, VFS faces challenges with high attrition, particularly among Customer Relationship Officers, who represent nearly half of the workforce. To manage this attrition the company has to hire approximately 200 employees monthly to ensure smooth operations. ICRA ESG has noted that all employees are hired directly into VFS' payroll, with no reliance on third-party or contractual staffing, ensuring better control over employment conditions. However, the wage gap stands at 0.88, indicating room for improvement in pay equity, and the top management pay ratio is notably high at 450. Moreover, given the regions where VFS operates, its ability to have a diverse workforce with respect to women remains constrained.



## Governance

**70 (Good)**

VFS has a diversified ownership and a simple corporate structure. Warburg Pincus holds a dominant stake of 70.06%, reflecting its role as the principal investor and other significant shareholders include Motilal Oswal, ABC Impact, True North and Faering Capital, indicating strong institutional backing. Consequently, VFS demonstrates a reasonably strong governance structure, anchored by a diverse and experienced board, and monitoring mechanisms.

VFS' board includes a healthy mix of independent directors, which supports balanced oversight and informed decision-making. The board members bring together deep expertise across regulation, banking, technology, investment, and public policy, enabling strategic foresight. Beyond their diverse backgrounds, board members and key investors demonstrate active engagement through regular oversight, risk monitoring, and strategic guidance. In addition, the presence of women in both board and senior management roles reflects the company's commitment to gender representation at leadership levels. ICRA ESG also notes the leadership stability with no frequent or concerning senior management, independent directors, or statutory auditors having exited in recent times.

VFS has implemented a Regulatory Technology (RegTech) system, which enables it to comply with requirements in a systematic manner. There have not been any material fines or penalties or litigations of material concern in the recent past. While financial reporting complies with Listing Obligations and Disclosure Requirements (LODR) and the annual report is comprehensive, VFS does not publish standalone sustainability or integrated ESG reports, nor does it seek external assurance for its ESG disclosures.

With respect to sustainability-related governance, ESG matters are overseen by the Risk Management Committee, with implementation driven by a sustainability team. However, it remains in early stages of adoption with respect to policies, targets and commitments. While core governance practices are well-established, there remains scope for improvement in ESG transparency, sustainability-linked accountability, and alignment with global standards.

## Key Rating Drivers



### STRENGTHS

- Low resource intensive sector:** VFS operates with a low environmental footprint across its 267-strong branch and office network operations, as reflected in its resource efficiency metrics. The company has an energy consumption intensity of 2,631.4 MJ per Rs. crore of revenue, and a combined Scope 1 and Scope 2 GHG emissions intensity of 0.69 tonnes of CO<sub>2</sub>e per Rs. crore of revenue—indicating minimal direct environmental impact. Water usage is also low, with an intensity of just 1.23 KL per Rs. crore of revenue. Additionally, the company responsibly managed 0.59 tonnes of e-waste, further underscoring the low resource intensive nature of its financial services operations. The digitalisation efforts undertaken by VFS have also helped in reducing its overall resource consumption.
- Diverse and experienced board with strong independence:** VFS' ownership structure is characterised by established global investors, with recent entrants being Motilal Oswal, ABC Impact, Truenorth and Faering Capital. The same benefits the way VFS' governance mechanisms are structured. The board includes professionals with deep expertise across sectors such as regulation, banking, technology, and investment as well as a high level of independent directors. In addition, there is a healthy representation of women across its board and senior management.
- Social value creation in rural areas through lending and employment creation:** By operating in peri-urban and rural areas, VFS creates meaningful employment opportunities in these underserved regions while strengthening its community engagement. The company remains focused on employee welfare through a well-covered benefits programme. Through its lending activities, VFS provides access to capital that enables underbanked populations and micro-entrepreneurs to grow their businesses. This helps borrowers transition from informal lending channels to formal financial systems, allowing them to build credit histories, access structured financial products, and become part of the mainstream economy. In addition, VFS is also able to contribute to inclusive growth through local sourcing, with majority of its material procurement coming from Indian MSMEs and small producers.

## WEAKNESSES



- Early-stage sustainability initiatives with no structured policy and targets:** VFS is currently in very early stages of developing its sustainability framework and is yet to establish structured policies across critical ESG areas such as carbon emissions, energy efficiency, water usage, waste management, and biodiversity conservation. Therefore, currently it does not publish sustainability data and has not taken targets across sustainability aspects. It is expected to make progress as its ESG maturity grows.
- High employee attrition and low diversity:** VFS faces challenges related to workforce retention and diversity. The company experiences high attrition rates, particularly among frontline Customer Relationship Officers, with 60–70% leaving within six months of joining. While this is partly owing to limited career progression opportunities and compensation benchmarks in the sector, with most such employees being 12<sup>th</sup> pass levels, it also warrants attention from employee relationships and business sustainability perspectives. Moreover, with most of VFS' operations being in very small towns, this limits its ability to have meaningful female representation in its workforce, which is currently low at 4.13%. Representation of persons with disability also remains low. This highlights the need for more inclusive hiring and retention strategies to foster a balanced and diverse workplace.
- Relatively low CSR spending with lack of formal employee volunteering and impact assessments:** In FY2024, VFS had a total CSR obligation of Rs. 2.12 crore, of which Rs. 1.30 crore was spent, leaving an unspent amount of Rs. 0.82 crore. In FY2025, the CSR obligation increased to Rs. 2.86 crore. Of this, Rs. 1.33 crore was spent during the year, and Rs. 1.52 crore remained unspent. The unspent amount was primarily due to investments in new CSR focus areas and the time required to identify suitable regions. However, the entire unspent amount is fully committed to be spent in the current financial year. VFS currently channels its CSR efforts into two focus areas, namely healthcare and education. While no formal third-party impact assessments are conducted, VFS monitors its CSR initiatives through monthly performance reports and camp-wise Management Information System (MIS) tracking. The company does not have a structured employee volunteering programme, but given its widespread branch presence, branch teams often coordinate with the Head Office and local partners to organise camps near commercial areas within their sourcing radius, if needed.

## Rating Sensitivities



### Positive Factors:



VFS's ESG rating could improve if the company undertakes concrete initiatives in resource monitoring, sets time-bound reduction targets, and enhances public disclosures. On the social front, addressing high attrition rates, conducting third-party health and safety audits and satisfactory customer relationship management would positively impact the score. Expanding and diversifying CSR spending and implementing structured employee volunteering programmes could further strengthen the social performance. Additionally, increasing public disclosures on sustainability performance, obtaining third-party assurance, and improving the timeliness of financial reporting could contribute to a higher ESG score. A focused approach to environmental value creation and enhancing social impact through the lending portfolio will be key to strengthening ESG performance.



### Negative Factors:



VFS' ESG rating could face downward pressure if the company does not demonstrate progress in key sustainability areas. Continued reliance on non-renewable energy without a transition plan, lack of effective monitoring of water usage and waste generation, may weaken its environmental performance. On the social front, reversal of any employee benefit programmes with instances of health and safety incidents, along with any decline in CSR spending or increase in customer grievances could negatively impact its social profile. From a governance perspective, deterioration of board diversity or independence along with delays in financial disclosures, any instances of non-compliance, penalties, or regulatory issues could adversely affect the company's overall ESG standing.

## Analytical Approach

| Analytical Approach | Comments  |
|---------------------|---|
| Rating methodology  | <a href="#">ESG Impact Rating Methodology</a>   |
| Rating scale        | <a href="#">ESG Rating Scale</a>  |
| Last review date    | NA  |
| Data Availability   | Average   |
| Rating boundaries   | For arriving at the rating, ICRA ESG has considered the standalone operations of Vistaar Financial Services Pvt. Ltd. |

## About the company

Vistaar Financial Services Pvt. Ltd., incorporated on September 4, 1991, and headquartered in Bengaluru, was originally founded by Mr. Brahmanand Hegde and Mr. Ramakrishna Nishtala, but it is now majority-owned by institutional investors, with Warburg Pincus being the primary stakeholder since acquiring a controlling interest in October 2022. VFS is a non-banking financial company (NBFC) that lends to MSMEs across India. The company focuses on providing secured loans as per the needs of under-served businesses, particularly in semi-urban and rural areas. Lending products include Saral (small ticket loans), Vyapar (working capital loans), and Sampatti (Housing loans), to support entrepreneurs. VFS has over fifty thousand active customers with a workforce of over 3,400 employees. Currently, Mr. Avijit Churamoni Saha is the Managing Director and Chief Executive Officer of VFS. Mr. C.B. Bhavé, former Chairman of Securities and Exchange Board of India (SEBI) and founder of National Securities Depository Limited (NSDL), serves as the Non-Executive Chairman and Independent Director on VFS' board.

VFS has a network of 267 branches, spread across 12 states and 132 districts. The company's assets under management (AUM) currently stands at over Rs. 4,929.83 crore. VFS' revenue from operations increased from Rs. 684.32 crore in FY2024 to Rs. 923.57 crore in FY2025, accompanied by a rise in its lending book. Profit After Tax (PAT) reached Rs. 221.03 crore, compared to Rs. 147.10 crore in the previous fiscal year. Gross Non-Performing Assets (NPAs) stood at 2.94% in FY2025, compared to 2.70% in FY2024.

## Key ESG Indicators

| Parameters  | Unit                          | FY2025 |
|---|-------------------------------|--------|
| <b>Environment indicators</b>                         |                               |        |
| Energy intensity                                      | MJ/ Rs. crore                 | 2631.4 |
| Renewable energy consumption                          | %                             | 0%     |
| Scope 1 + Scope 2 emission intensity                  | tCO <sub>2</sub> e/ Rs. crore | 0.69   |
| Water consumption intensity                           | m <sup>3</sup> / Rs. crore    | 1.23   |
| <b>Social indicators</b>                              |                               |        |
| Employee turnover                                     | %                             | 70%    |
| POSH complaints reported                              | Number                        | 1      |
| Income inequality ratio                               | Ratio                         | 450    |
| CSR in-house volunteers                               | Yes/No                        | Yes    |
| <b>Governance indicators</b>                          |                               |        |
| Presence of RegTech system                            | Yes/No                        | Yes    |
| % of women in BOD                                     | %                             | 33%    |
| % of women in KMP                                     | %                             | 50%    |
| Average attendance in board meetings                  | %                             | 92%    |
| Emission reduction target aligned with 1.5 dc pathway | Yes/No                        | No     |

Source: Company, ICRA ESG's analysis, BOD: Board of Directors, KMP: Key Managerial Personnel

**Common Directors (if any):** None

## Source of Information

While assigning the ratings, ICRA ESG has considered the annual reports of the company along with company policies, additional information, and comments provided by the company.



**Status of non-cooperation with previous ERP:** Not applicable

**Rating history for past three years**

| S. No. | Current Rating    |                         | Previous Rating         |                         |                         |
|--------|-------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|        | Parameter         | Date & Rating in FY2026 | Date & Rating in FY2025 | Date & Rating in FY2024 | Date & Rating in FY2023 |
|        |                   | September 09, 2025      | -                       | -                       | -                       |
| 1      | ESG Impact Rating | 68, Good                | -                       | -                       | -                       |

Source: ICRA ESG Ratings

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