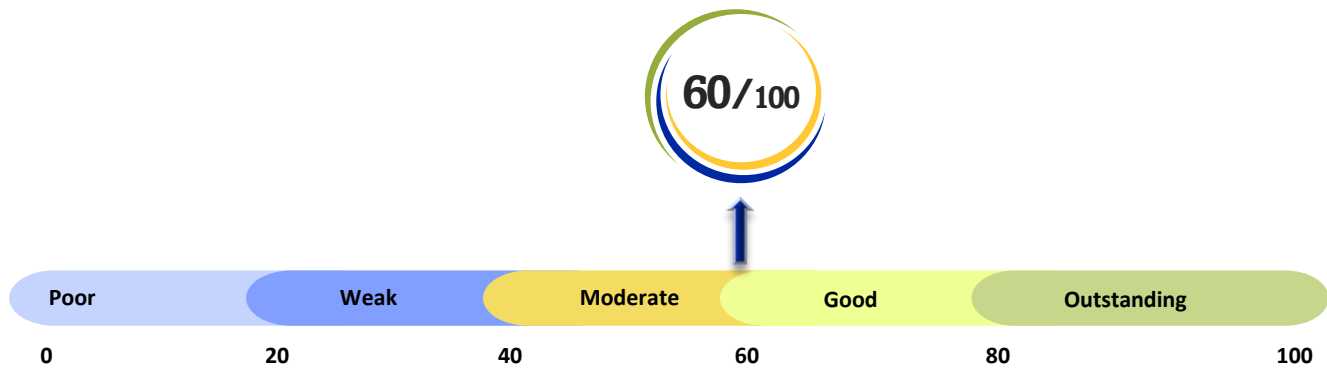


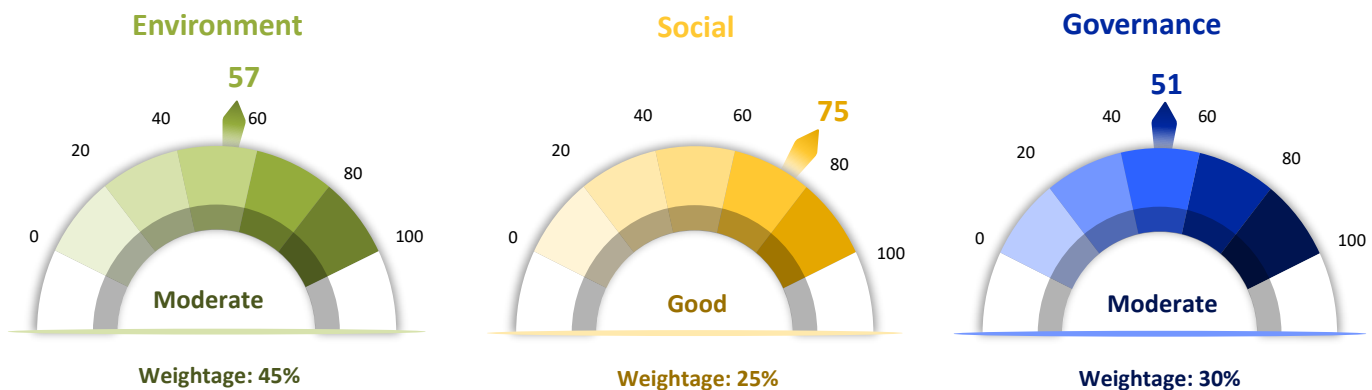
September 12, 2025

InCred Financial Services Limited: Ratings Upgraded



Summary of rating action

InCred Financial Services Ltd.	Previous Score	Rating Symbol	Current Score	Rating Symbol	Rating Movement
ESG Impact Rating	57	Moderate	60	Good	↑



Rationale

ICRA ESG has upgraded the ESG Impact Rating assigned to InCred Financial Services Limited (InCred) to **60 (Good)** from **57 (Moderate)**. The rating upgrade factors in the improvement in the company's employee relationship and well-being, advancements in its Corporate Social Responsibility (CSR) profile combined with a balanced governance structure. The ratings positively factor in the decline in attrition, income inequality, a higher female-to-male median remuneration ratio and inclusion of more women in senior leadership roles among other factors. The rating also reflects the entity's low environmental footprint, consistent with the nature of its operations, and the presence of adequate independence within the board. However, despite these strengths, the overall score remains constrained by the nascent stage of the company's sustainability journey and limited ESG disclosures and targets at the entity level.



Environment

57 (Moderate)

Being in a low emissions impact sector, InCred's technology focused business model limits its overall environmental impact. The environmental score of **57 (Moderate)** remained stable with no change over the last rating exercise due to the lack of tracking and measurable progress on environmental parameters during the review period. InCred's operations are characterised by low energy and emissions intensity, with no direct fossil fuel usage and modest electricity consumption. Furthermore, the nascent state of disclosures reflects the early stage of its sustainability journey. Despite a dedicated ESG policy, which is aimed at improving energy efficiency, the absence of renewable energy (RE) infrastructure and the lack of energy management system certification impacts the energy management profile of the company.

The company has a low-emission nature of operations, with minimal level of Scope 1 and Scope 2 emissions. While the value chain impact could be substantial, the company is not currently tracking its Scope 3 emissions, including its portfolio impact. InCred's ESG policy is aimed at promoting emission management, water and waste management to improve its overall environmental performance but the absence of quantification and formal targets restricts measurable progress tracking. Air and dust emissions are negligible. Waste generation has remained low, and e-waste is carefully recycled through authorised vendors; but overall waste tracking is limited. The company also lacks any water recycling infrastructure within its premises; these factors limit the overall score. Although its biodiversity impact is minimal, a strategy to protect biodiversity and some programmes around the same would have shown the maturity of the company, which is lacking at present. InCred has a policy that states the engagement of third parties to support its commitment to environmental protection.

Hence, although the score acknowledges the presence of an ESG policy, the entity lacks a focused approach backed by accurate data to reduce its carbon footprint. The score also indicates that there is significant room for improvement as the company continues to develop and implement its sustainability initiatives. While InCred aspires to be a carbon neutral company, it does not track many of the major environmental indicators and neither does it have defined targets to reduce emissions, energy/water consumption, or waste generation. Furthermore, it has not demonstrated tangible progress beyond the preliminary measures undertaken, indicating a need for more substantive and outcome-oriented actions.



Social

75 (Good)

The upgrade in InCred's social score of **75 (Good)** from **71 (Good)** factors in InCred's positive shift in its community engagement approach by initiating structured CSR initiatives. In FY2025, the entity allocated Rs. 2.9 crore towards impactful initiatives in addition to favourable job creation in rural regions and integrated employee volunteering practices. The CSR initiatives remained focussed on promoting girl child education, scholarships for higher education, community health, educating rural groups and uplifting communities in the process. Furthermore, InCred demonstrated a notable progress in promoting gender equity with a gender diversity of 17% in FY2025, and in raising its female-to-male median remuneration ratio to 1.2x in FY2025 from 0.7x in FY2024, indicating a more balanced compensation structure. ICRA ESG further notes that there is a decline in attrition from 30% in FY2024 to 23% in FY2025 over a growing employee base, in addition to a reduction in the income inequality ratio—i.e., the ratio of the highest paid employee to the median remuneration of

employees—to 112 in FY2025 from 125 in FY2024. While these trends are encouraging, controlling attrition remains a critical consideration for the industry, given its implications for operational continuity and talent retention.

InCred's focus remained on ensuring employee well-being, complying with human rights standards, maintaining customer satisfaction, and making positive contributions to the community. The human rights profile remained stable with no Prevention of Sexual Harassment (POSH) complaints being reported in FY2025. All its permanent employees are covered under a group insurance policy, which includes benefits such as health, term life and personal accident insurance, with provisions for adoption leaves in addition to maternity and paternity leaves. In FY2025, InCred reported a single phishing incident, which was promptly addressed through appropriate remedial measures, reflecting adequate disclosure and incident management protocols. The company's robust internal IT infrastructure has supported the maintenance of satisfactory data privacy and cybersecurity standards. Customer complaints declined to 1,511 in FY2025 from 2,710 in FY2022, indicating improved grievance handling; however, fraud incidents rose sharply from 13 in FY2024 to 153 in FY2025, following the change in classification methodology for the Non-Banking Financial Company (NBFC) fraud classification according to the Reserve Bank of India's (RBI's) directives. In addition, the absence of Micro, Small and Medium Enterprises (MSME) sourcing data continues to constrain the entity's social score.



Governance

51 (Moderate)

InCred's governance score improved to **51 (Moderate)** from **46 (Moderate)** after factoring in the adequacy of independence and gender diversity at the board level, in addition to a multifaceted experience across key functional areas within the board. InCred's board consists of 10 directors, of whom three are independent, women directors who bring their significant experiences in banking, finance, and commerce to the company. InCred has five independent directors and three non-executive directors, ensuring balanced oversight and strategic guidance. Each board member brings diverse and relevant experience across finance, risk, compliance, and technology domains. Major board committees—such as the Audit, Remuneration, and IT Committees—are chaired by independent members, thereby enhancing oversight and decision-making integrity. However, gender diversity at the senior management level remains limited, with no women among the key managerial personnel, although recent appointments of women in leadership roles in the risk and treasury teams indicate early efforts to improve representation. Board functioning remains satisfactory, with an average attendance of 84% in FY2025.

The entity has been an early adopter of a dedicated reg-tech system, which has been comprehensively implemented and strengthens its internal controls. It has maintained strong financial governance, with no qualified audit opinions and all related party transactions (RPTs) in FY2025 conducted on an arm's length basis and in the ordinary course of business. While the governance structure is vigorous in terms of board independence and financial transparency, the absence of formal sustainability reporting, third-party assurance, and a dedicated ESG committee limits the integration of sustainability into governance practices. The CEO and board compensations are not linked with the ESG parameters, and there is no research and development (R&D) expenditure directed towards improving environmental or social outcomes. Hence, the lack of structured ESG targets and disclosures continues to constrain the governance score. The overall ESG score of **60 (Good)** indicates that despite its progress, InCred is in the early stages of its ESG journey and is yet to adopt comprehensive sustainability practices. Sensitivity areas include publication of ESG data and making concrete commitments to reduce negative impacts. Addressing these areas, along with maintaining its current performance levels across parameters, will be crucial in determining its future score movements.

Key Rating Drivers



STRENGTHS

- Fostering positive social outcomes through supportive employee benefits and portfolio value creation** – InCred provides its employees with access to comprehensive insurance coverage and favourable leave policies, including adequate maternity and paternity benefits. ICRA ESG notes that the attrition has declined to 23% in FY2025 from 30% in FY2024 over a growing employee base. Furthermore, InCred has demonstrated notable progress in promoting gender equity with the female-to-male median remuneration ratio rising from 0.7x in FY2024 to 1.2x in FY2025, indicating a more balanced compensation structure. Also, the entity has spent Rs. 2.9 crore towards impactful programmes focusing on girl child education, scholarships, and rural health. InCred has effectively served over 400,000 customers and has been working on enhancing its portfolio to include products for the underbanked and underserved regions of the country, thus contributing to financial inclusion and favourable societal outcomes.
- Favourable board independence and diverse expertise** – InCred demonstrates good governance through a well-structured and independent board. Of a total of 10 directors, the company has five independent directors and three non-executive directors, ensuring balanced oversight and strategic guidance. Each board member brings diverse and relevant experience across finance, risk, compliance, and technology domains.
- Low resource intensive business operations** – Being a financial services provider, InCred's Scope 1, Scope 2 and Scope 3 air emissions impact is low. The energy intensity of its business remains modest, in line with its peers. Further, the company has been implementing green initiatives like procuring green certified assets and a green building certification for its office premises. However, its energy consumption remains dependent on the national grid, and it does not utilise any renewable energy. Similarly, although the company's e-waste management is adequate, comprehensive waste management practices are yet to be developed.

WEAKNESSES



- Nascent stage of sustainability transition with limited tracking of environmental parameters** – Being in the nascent stage of sustainability initiative related policy formulation and implementation, the company has not set any quantitative targets for any of the ESG parameters, and nor does it have a dedicated sustainable finance framework as seen in the case of other large NBFCs in its segment. Consequently, at present, the entity does not have a dedicated sustainability or ESG committee for sustainability-related decisions. InCred is not currently tracking its environmental parameters in an extensive way, even though there are some initiatives available for resource optimisation.
- Limited ESG integration across value chain and governance structures** – InCred currently lacks a structured framework for monitoring and assessing ESG parameters across its value chain, which constrains its ability to embed sustainability into core operations. The absence of sustainable procurement practices at the overall organisation level and lack of tracking MSME sourcing, limits its potential to drive responsible growth. Furthermore, the absence of ESG performance-linked compensation for the senior management, coupled with the lack of R&D expenditure towards improving environmental and social impacts of products and processes, reflects limited strategic prioritisation of ESG.

Rating Sensitivities



Positive Factors:



ICRA ESG could upgrade the rating/ scores if the company starts tracking its impact and implements targeted policies towards the environmental indicators. Moreover, setting targets relating to ESG parameters, narrowing income inequality, and setting up a dedicated ESG committee would be favourable for driving the company's ESG performance.



Negative Factors:



ICRA ESG could downgrade the rating/scores in case of a significant rise in attrition rate, instances of severe fines and penalties levied by regulatory bodies or significant concerning litigation or any adverse outcomes, which could impact its operations and value chain.

Analytical Approach

Analytical Approach	Comments
Rating methodology	ESG Impact Rating Methodology
Rating scale	ESG Rating Scale
Last review date	NA
Data Availability	Low
Rating boundaries	For arriving at the rating, ICRA ESG has considered the information available in the Annual Report of FY2024 and FY2025. ICRA ESG has further taken into consideration the best available information from public sources, along with the data and information shared during discussions with the management.

About the company

InCred Financial Services Limited is an NBFC, registered with the Reserve Bank of India. InCred was merged with KKR India in July 2022, becoming a wholly-owned subsidiary of InCred Holdings Limited (IHL), earlier known as KKR Capital Markets Private Limited, the holding company of KKR India. The merged entity was subsequently renamed as InCred Financial Services Limited. InCred's portfolio consists of retail loans in the form of personal loans, student loans, specialised MSME loans, secured business loans and lending to financial institutions. KKR India Financial Investments Pte. Ltd. holds a stake of ~14% in the holding company, IHL, followed by the promoter, Mr. Bhupinder Singh (~20% stake), and MNI Ventures (~9%).

As of March 31, 2025, InCred had 141 branches with 2,649 employees with a gender diversity of 17%. InCred is a technology driven entity with a focus on client onboarding through digital initiatives. As of March 31, 2025, InCred's Assets Under Management (AUM) stood at Rs. 12,585 crore, including a co-lending book of Rs. 1,807 crore. It reported a profit after tax of Rs. 372 crore with a net interest income of Rs. 1,064 crore over a net worth of Rs. 3,716 crore. The capital base has been supported by the merger with KKR India, apart from regular capital infusions.

InCred's business has led to inherent social and economic development, creating a favourable impact. A large part of its business beneficiaries come from rural and semi-urban regions of the country. InCred had approved more than \$1 billion in education loans, covering 585 universities across 25 countries by FY2023. In the process, more than 5,500 student borrowers have gone on to pursue higher education, with ~99.5% of such students completing their courses and finding gainful employment. Further, through its MSME loan product, InCred's business has facilitated the growth of this sector.

Key ESG Indicators

Parameters	Unit	FY2024	FY2025
Environment indicators			
Renewable energy consumption	%	0.0	0.0
Presence of ISO 50001	Yes/No	No	No
Water consumption intensity	m ³ / Rs. crore	NT [#]	NT
Waste generation intensity	tonnes/ Rs. crore	NT	NT
Presence of ESG Policy	Yes/No	Yes	Yes
Social indicators			
Employee turnover	%	30%	23%
CSR spending	Amount (Rs. crore)	0.0	2.9
Income inequality ratio	Ratio	125	112
Female-to-male wage gap	Times	0.7	1.2
POSH complaints	Number	1	0
Governance indicators			
Presence of reg-tech system	Yes/No	Yes	Yes
% of women in BOD	%	30%	30%
ESG/ Sustainability Committee	Yes/No	No	No
Average attendance in board meetings	%	90%	83%
Emission reduction target aligned with 1.5° C pathway	Yes/No	No	No

Source: Company, ICRA ESG's analysis; [#]NT: Not tracking

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.	Parameter	Current Rating		Previous Rating	
		Date & Rating in FY2026	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023
		Sep 12, 2025	Sep 13, 2024	-	-
1	ESG Impact Rating	60, Good	57, Moderate	-	-
1.1	Environment	57, Moderate	57, Moderate	-	-
1.2	Social	75, Good	71, Good	-	-
1.3	Governance	51, Moderate	46, Moderate	-	-

Source: ICRA ESG

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