

June 03, 2025

## Arohan Financial Services Limited: Provisional ratings assigned to PTCs backed by microfinance loan receivables issued by Ascent Beta May 2025

### Summary of rating action

Trust name	Instrument*	Current rated amount (Rs. crore)	Rating action
Ascent Beta May 2025	Series A1 PTC	60.96	Provisional [ICRA]A+(SO); assigned
	Equity tranche	1.03	Provisional [ICRA]A(SO); assigned

\*Instrument details are provided in Annexure I

Rating in the absence of pending action/documents	No rating would have been assigned as it would not be meaningful
---	--

### Rationale

The pass-through certificates (PTCs) are backed by a pool of microfinance loan receivables originated by Arohan Financial Services Limited {Arohan/Originator; rated [ICRA]A (Stable)} with an aggregate principal outstanding of Rs. 68.96 crore (pool receivables of Rs. 80.51 crore). Arohan would also be the servicer for the transaction.

The provisional ratings are based on the strength of the cash flows from the selected pool of contracts, the credit enhancement available in the structure as well as the integrity of the legal structure. The ratings are subject to the fulfilment of all the conditions under the structure and ICRA's review of the documentation pertaining to the transaction.

### Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout for Series A1 PTC. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. However, on the occurrence of predefined trigger events, the residual EIS every month shall be utilised for accelerating the principal payment due to Series A1 PTC. Any prepayment in the pool would be used for the prepayment of Series A1 PTC principal.

The equity tranche is completely subordinated to Series A1 PTC. The principal payment to the equity tranche is expected after full redemption of Series A1 PTC. Any surplus EIS, after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. However, on the occurrence of predefined trigger events, the residual EIS every month shall be utilised for accelerating the principal payment due to the equity tranche. Any prepayment in the pool would be used for the prepayment of the equity tranche principal.

The credit enhancement available in the structure in the form of (i) a cash collateral (CC) of 5.00% of the initial pool principal, amounting to Rs. 3.45 crore, to be provided by the Originator, (ii) subordination of 11.60% of the initial pool principal for Series A1 PTC in the form of equity tranche and over-collateralisation, and (iii) the excess interest spread (EIS) of 11.81% of the initial pool principal for Series A1 PTC.

## Key rating drivers and their description

### Credit strengths

**Granular pool with available credit enhancement** – The pool is granular, consisting of 21,727 contracts, with the top 10 borrowers forming less than 0.1% of the pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the cash collateral (CC), subordination and EIS would absorb a part of the losses in the pool and provide support in meeting the PTC payouts.

**Seasoned contracts in the pool** – The pool has amortised by 33.19% as on the cut-off date with no delinquencies observed in any of the contracts, post loan disbursement, reflecting the relatively better credit profile of the borrowers.

**No overdue contracts in the pool** – The pool has been filtered in such a manner that there were no overdue contracts as on the cut-off date. Further, all the contracts in the pool have never been delinquent after loan disbursement, reflecting the relatively better credit profile of the borrowers, which is a credit positive.

**Adequate servicing capability of Arohan** – The company has adequate processes for servicing the loan accounts in the securitised pool. It has a considerable track record of over a decade of regular collections across geographies and multiple economic cycles.

### Credit challenges

**High geographical concentration** – The pool has high geographical concentration with the top 3 states, viz. West Bengal, Bihar and Uttar Pradesh, contributing ~74% to the initial pool principal amount. The pool's performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

**Increasing delinquencies in microfinance sector** – The microfinance sector has seen a decline in collections and a consequent rise in delinquencies in the current fiscal on account of multiple factors like heat waves, general elections, borrower overleveraging and attrition in the collection teams. The sustained impact, if any, of these factors on the collections from the pool would be a key monitorable.

**Risks associated with lending business** – The pool's performance would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans. The performance of microfinance loans would also be exposed to political and communal risks.

### Key rating assumptions

ICRA's cash flow modelling for rating securitisation transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator's loan portfolio as well as the characteristics of the specific pool being evaluated. The resulting collections from the pool, after incorporating the impact of the losses and prepayments, are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction.

For the current pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 4.00% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 3.0% to 9.0% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the ratings for the instruments.

## Liquidity position

### Series A1 PTC: Superior

The liquidity for Series A1 PTC is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~6.25 times the estimated loss in the pool.

### Equity tranche PTC: Strong

The liquidity for Series A2 PTC is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~5.75 times the estimated loss in the pool.

## Rating sensitivities

**Positive factors** – The sustained strong collection performance of the underlying pool of contracts (monthly collection efficiency >95%), leading to lower-than-expected delinquency levels, and an increase in the cover available for future investor payouts from the credit enhancement would result in a rating upgrade.

**Negative factors** – The sustained weak collection performance of the underlying pool of contracts (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a rating downgrade. Weakening in the credit profile of the servicer could also exert pressure on the ratings.

## Analytical approach

The rating action is based on the analysis of the performance of Arohan's portfolio till March 2025, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the credit enhancement cover available in the transaction.

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a>
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

## Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned ratings are provisional and would be converted into final upon the execution of:

1. Trust deed
2. Assignment agreement
3. Power of Attorney
4. Legal opinion
5. Trustee letter
6. KYC Chartered Accountant's certificate
7. Any other documents executed for the transaction

## Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

## Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at [www.icra.in](http://www.icra.in).

## About the originator

Arohan Financial Services Limited (Arohan) is a Kolkata-headquartered non-banking financial company – microfinance institution (NBFC-MFI). It was incorporated on September 27, 1991. Arohan is engaged in the business of microlending, mainly to women, and operates on the joint liability group (JLG) model. It was set up through the acquisition of an existing NBFC, ANG Resources Ltd, with the support of Bellwether Microfinance Fund. The company's name was changed to Arohan Financial Services Limited in March 2008. Arohan became a part of the Aavishkar Group in September 2012.

As on March 31, 2025, it was catering to 21.4 lakh borrowers through a network of 1102 branches spread across 323 districts and 17 states while managing assets under management (AUM) of Rs. 6,003 crore.

## Key financial indicators

Arohan Financial Services Limited	FY2023	FY2024	FY2025*
As per	Ind-AS	Ind-AS	Ind-AS
Total income	1,091	1,635	1,695
Profit after tax	71	314	110
Total managed assets (grossed up for provisions)	6,635	8,654	113
Gross stage 3 assets	2.7%	1.7%	2.8%
CRAR	28.7%	29.0%	34.1%

Source: Company data, ICRA Research; Amount in Rs. crore

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

	Trust name	Current rating (FY2026)				Chronology of rating history for the past 3 years		
		Instrument	Current amount rated (Rs. crore)	Amount outstanding (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
					June 03, 2025			
1	Ascent Beta May 2025	Series A1 PTC	60.96	60.96	Provisional [ICRA]A+(SO)	-	-	-
		Equity tranche	1.03	1.03	Provisional [ICRA]A(SO)	-	-	-

## Complexity level of the rated instrument

Instrument	Complexity indicator
Series A1 PTC	Moderately Complex

Equity tranche	Moderately Complex
----------------	--------------------

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

Trust name	Instrument	Date of issuance/ Sanction	Coupon rate (p.a.p.m.)	Maturity date	Current amount rated (Rs. crore)	Current rating
Ascent Beta May 2025	Series A1 PTC	May 30, 2025	9.65%	November 19, 2026	60.96	Provisional [ICRA]A+(SO)
	Equity tranche		-	November 19, 2026	1.03	Provisional [ICRA]A(SO)

Source: Company

#### Annexure II: List of entities considered for consolidated analysis

Not applicable

## ANALYST CONTACTS

**Manushree Saggar**

+91 124 4545 316

[manushrees@icraindia.com](mailto:manushrees@icraindia.com)

**Sachin Joglekar**

+91 22 6114 3470

[sachin.joglekar@icraindia.com](mailto:sachin.joglekar@icraindia.com)

**Sumit Pramanik**

+91 22 61143462

[sumit.pramanik@icraindia.com](mailto:sumit.pramanik@icraindia.com)

**Shruti Jain**

+91 22 61143416

[shruti.jain2@icraindia.com](mailto:shruti.jain2@icraindia.com)

**Arijit Datta**

+91 22 61143433

[arijit.datta@icraindia.com](mailto:arijit.datta@icraindia.com)

## RELATIONSHIP CONTACT

**L Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited

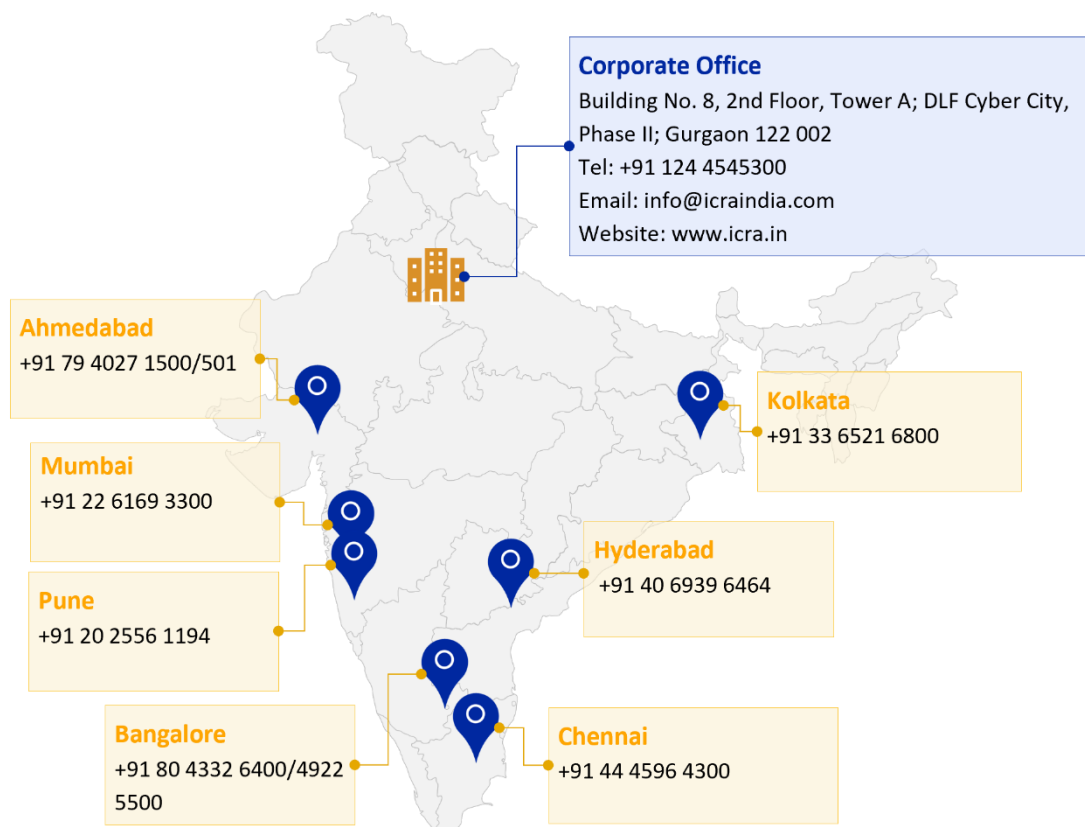


### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001  
Tel: +91 11 23357940-45



### Branches



© Copyright, 2025 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.