

November 11, 2024

Arohan Financial Services Limited: Rating withdrawn for Rs. 180-crore NCD programme

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term bank facilities – Fund based	5,603.07	5,603.07	[ICRA]A Rating Watch with Negative Implications; outstanding
Non-convertible debentures	325.00	325.00	[ICRA]A Rating Watch with Negative Implications; outstanding
Non-convertible debentures	180.00	-	[ICRA]A Rating Watch with Negative Implications; withdrawn
Subordinated debt	75.00	75.00	[ICRA]A Rating Watch with Negative Implications; outstanding
Total	6,183.07	6,003.07	

*Instrument details are provided in Annexure I

Rationale

ICRA has withdrawn the rating outstanding on the Rs. 180-crore non-convertible debenture (NCD) programme as the instrument has been redeemed and there is no amount outstanding against the same. The rating has been withdrawn in accordance with ICRA's policy on the withdrawal of credit ratings, at the company's request. Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position and rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Non-banking Finance Companies Policy on Withdrawal of Credit Ratings
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

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 June 30, 2024, it was operating through a network of 1,003 branches spread across 301 districts and 17 states while managing assets under management (AUM) of Rs. 7,062 crore (limited review).

Key financial indicators

Arohan Financial Services Limited	FY2023	FY2024	Q1 FY2025
As per	Ind-AS	Ind-AS	Ind-AS
Total income	1,091	1,635	479
Profit after tax	71	314	104
Total managed assets (grossed up for provisions)	6,635	8,654	8,801
Return on average managed assets	1.1%	4.1%	4.8%
Managed gearing (times)	3.6	3.3	3.2
Gross stage 3 assets	2.7%	1.7%	2.0%
CRAR	28.7%	29.0%	30.3%

Managed gearing = (On-book borrowings + Securitised/Assigned loan assets)/(Net worth)

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

Status of non-cooperation with previous CRA: Not applicable

Any other information:

ICRA notes that Arohan faces prepayment risk, given the possibility of debt acceleration upon the breach of covenants, including financial, operating and rating-linked covenants. Upon failure to meet the covenants, if the company is unable to get waivers from the lenders/investors or they do not provide it with adequate time to arrange for alternative funding to pay off the accelerated loans, the rating would face pressure. The management has guided that Arohan has requested for waivers from lenders/investors for such breaches and no negative comments/adverse actions have been taken for the same. ICRA notes that Arohan has been able to raise fresh funds despite covenant breaches in the last 2-3 years.

Rating history for past three years

Instrument	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years										
	Type	Amount Rated (Rs. crore)	Date & Rating in FY2025			Date & Rating in FY2024			Date & Rating in FY2023				Date & Rating in FY2022		
			Nov 11, 2024	Oct 25, 2024	May 20, 2024	Jan 10, 2024	Nov 9, 2023	Aug 14, 2023	Dec 26, 2022	Sep 21, 2022	Jul 01, 2022 Jul 14, 2022	Jun 21, 2022	Apr 06, 2022	Mar 25, 2022 Oct 05, 2021 Jul 20, 2021	
1 Long-term bank facilities – Fund based	Long term	5,603.07	[ICRA]A; Rating Watch with Negative Implications	[ICRA]A; Rating Watch with Negative Implications	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)
2 NCDs	Long term	325.00	[ICRA]A; Rating Watch with Negative Implications	[ICRA]A; Rating Watch with Negative Implications	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)
3 NCDs	Long term	180.00	[ICRA]A; Rating Watch with Negative Implications; withdrawn	[ICRA]A; Rating Watch with Negative Implications	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)
4 NCDs	Long term	-	-	-	-	[ICRA]A (Stable); withdrawn	[ICRA]A- (Positive)	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)
5 NCDs	Long term	-	-	-	-	-	-	[ICRA]A- (Positive); withdrawn	[ICRA]A- (Stable)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)
6 NCDs	Long term	-	-	-	-	-	-	-	[ICRA]A- (Stable); withdrawn	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	-	-
7 Long-term bank facilities – Fund-based term loan	Long term	-	-	-	[ICRA]AA- (CE) (Stable); withdrawn	[ICRA]AA- (CE) (Stable)	[ICRA]A (CE) (Positive)	[ICRA]A (CE) (Positive)	[ICRA]A (CE) (Stable)	[ICRA]A (CE) (Negative)	[ICRA]A (CE) (Negative)	Provisional [ICRA]A (CE) (Negative)	Provisional [ICRA]A (CE) (Negative)	-	-

Instrument	Current Rating (FY2025)						Chronology of Rating History for the Past 3 Years							
	Type	Amount Rated (Rs. crore)	Date & Rating in FY2025			Date & Rating in FY2024			Date & Rating in FY2023					Date & Rating in FY2022
			Nov 11, 2024	Oct 25, 2024	May 20, 2024	Jan 10, 2024	Nov 9, 2023	Aug 14, 2023	Dec 26, 2022	Sep 21, 2022	Jul 01, 2022 Jul 14, 2022	Jun 21, 2022	Apr 06, 2022	Mar 25, 2022 Oct 05, 2021 Jul 20, 2021
8 Subordinated debt	Long term	75.00	[ICRA]A; Rating Watch with Negative Implications	[ICRA]A; Rating Watch with Negative Implications	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]A- (Negative)	-	-	-	-
9 Subordinated debt	Long term	-	-	-	-	[ICRA]A (Stable); withdrawn	[ICRA]A- (Positive)	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]A- (Negative)	-	-	-	-

Source: Company

Complexity level of the rated instruments

Instrument	Complexity Indicator
Subordinated debt	Simple
NCD	Simple
Long-term bank facilities – Fund based	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 / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE808K07246	NCD	Dec-14-2020	11.40%	Jun-14-2024	65	[ICRA]A on Rating Watch with Negative Implications; withdrawn
INE808K08079	NCD	Mar-31-2022	13.65%	Jun-30-2027	200	[ICRA]A; Rating Watch with Negative Implications
INE808K07261	NCD	Jun-26-2022	11.86%	Jun-29-2027	115	[ICRA]A on Rating Watch with Negative Implications; withdrawn
INE808K08061	NCD	Oct-25-2019	12.85%	Oct-25-2026	25	[ICRA]A; Rating Watch with Negative Implications
INE808K08046	NCD	Mar-29-2018	13.25%	Apr-28-2025	65	[ICRA]A; Rating Watch with Negative Implications
INE808K08053	NCD	Aug-14-2018	13.25%	Sep-30-2025	35	[ICRA]A; Rating Watch with Negative Implications
NA	Long-term bank facilities – Fund based	Jun-08-2018 to Apr-02-2024	5.15-11.75%	Jul-10-2023 to Apr-30-2027	5,603.07	[ICRA]A; Rating Watch with Negative Implications
NA	Subordinated debt (term loan)	Mar-07-2018	13.50%	Apr-01-2025	50	[ICRA]A; Rating Watch with Negative Implications
NA	Subordinated debt (term loan)	Mar-30-2021	14.25%	Jun-04-2027	25	[ICRA]A; Rating Watch with Negative Implications

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Not applicable

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