May 07, 2025

Annapurna Finance Private Limited: Rating assigned/reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Subordinated debt	31.00	31.00	[ICRA]A- (Stable); reaffirmed
Subordinated debt	76.18	76.18	[ICRA]A- (Stable); reaffirmed
Subordinated debt	140.00	140.00	[ICRA]A- (Stable); reaffirmed
Non-convertible debenture programme	159.96	159.96	[ICRA]A- (Stable); reaffirmed
Non-convertible debenture programme	0.12	0.12	[ICRA]A- (Stable); reaffirmed
Long-term bank facilities – Fund based	1,600.00	1,600.00	[ICRA]A- (Stable); reaffirmed
Non-convertible debenture programme	42.50	42.50	[ICRA]A- (Stable); reaffirmed
Optionally convertible debenture	300.00	300.00	[ICRA]A- (Stable); reaffirmed
Subordinated debt	-	93.00	[ICRA]A- (Stable); assigned
Total	**2,349.76**	**2,442.76**	

**Instrument details are provided in Annexure I*

Rationale

The rating factors in Annapurna Finance Private Limited's (AFPL) established track record of more than two decades in the microfinance space (including microfinance lending through its parent organisation – People's Forum). The company has been able to scale up its portfolio consistently (5-year CAGR[1] of 28% till FY2024), supported by its experienced management team. AFPL continues to maintain a diversified borrowing profile with a good mix of private sector banks, public sector banks, non-banking financial companies (NBFCs) and financial institutions (FIs). However, its leverage remains elevated, given its pace of growth and moderate profitability. While the company's capital adequacy ratio of 31.5%, as of December 2024, was well above the regulatory requirement, its gearing (managed[2]) remained high at 5.4 times (reported gearing at 3.7 times). In ICRA's opinion, AFPL would require a capital infusion in the near term to support the envisaged growth while maintaining a prudent capitalisation profile.

The rating also considers the deterioration in the company's asset quality and profitability profile in 9M FY2025. Delinquencies rose in 9M FY2025 and gross non-performing assets (NPAs; on-book) remained elevated at 4.0% as on December 31, 2024 (2.9% as on March 31, 2024) despite sizable write-offs in 9M FY2025. The industry, including AFPL, is facing asset quality challenges due to borrower overleveraging, socio-political disruptions, and operational challenges, largely related to employee attrition. ICRA expects the company's credit costs to remain elevated in the near term, affecting its overall profitability in FY2025. However, AFPL has taken a guarantee cover under Credit Guarantee Fund for Micro Units (CGFMU), covering large portion of the microfinance portfolio as of December 2024, mitigating the credit risk to a certain extent. Nonetheless, the increase in operating expenses and credit costs impacted the company's earnings profile in 9M FY2025. ICRA notes that the company has remained profitable in 9M FY2025, however, return on average total assets and return on average net worth declined to 0.7% and 4.8%, respectively, in 9M FY2025 (2.0% and 13.5%, respectively, in FY2024). ICRA expects the asset quality and profitability to remain under pressure in the near term.

---

[1] Compound annual growth rate

[2] Managed gearing = On-book debt + Off-book portfolio/Net worth {including compulsorily convertible debentures (CCDs) and compulsory convertible preference shares (CCPS)}

The rating continues to factor in the risks associated with the unsecured nature of microfinance loans, the marginal borrower profile, which is susceptible to income shocks, and the political and operational risks inherent in the microfinance business. Further, there is scope for improvement in the geographical diversification of operations.

The Stable outlook on the [ICRA]A- rating reflects ICRA's opinion that AFPL will maintain a steady credit profile while expanding its scale of operations and maintaining a diversified borrowing profile.

Key rating drivers and their description

Credit strengths

Established track record of operations – Promoted by People's Forum, a society registered in Odisha, AFPL is one of the leading NBFC-microfinance institutions (MFIs) in India by assets under management (AUM). It has an established track record of more than two decades, including microfinance lending through People's Forum, in the microfinance space. The company has been able to scale up its portfolio consistently (5-year CAGR of 28% till FY2024) despite the Covid-19 pandemic-led disruptions. It reported an AUM of Rs. 10,439 crore as on December 31, 2024 (Rs. 10,336 crore as on March 31, 2024). As on December 31, 2024, it had a presence in 438 districts across 21 states through a network of 1,631 branches while catering to more than 29 lakh borrowers.

Diversified borrowing profile – The company's funding base is well diversified with a good mix of private sector banks, public sector banks, FIs and NBFCs. The funding profile comprised bank loans (38%), subordinated debt (9%), loans from FIs/NBFCs (6%), external commercial borrowings (ECBs; 12%), NCDs (4%), and direct assignment (DA; 31%) as on December 31, 2024. AFPL raised Rs. 3,197 crore of on-book borrowings in 9M FY2025 and continues to maintain a healthy pipeline of funds to support its growth plans.

Credit challenges

Weakening in asset quality and earnings profile; coverage under guarantee scheme mitigates risk to an extent– Delinquencies rose in 9M FY2025 and gross NPAs (on-book) remained elevated at 4.0% as on December 31, 2024 (2.9% as on March 31, 2024) despite sizable write-offs in 9M FY2025. Given the provisions carried by the company, the net NPAs were lower at 1.4% as on December 31, 2024. Nonetheless, it held net investments in the security receipts (SRs) of the NPAs sold to asset reconstruction companies (ARCs; 0.8% of portfolio) as on December 31, 2024. The industry, including AFPL, is facing asset quality challenges due to borrower overleveraging, socio-political disruptions, and operational challenges, largely related to employee attrition. ICRA notes that AFPL has taken a guarantee cover under CGFMU, covering large portion of the microfinance portfolio as of December 2024, which mitigates the credit risk to a certain extent. Nevertheless, its ability to arrest further slippages and recover from delinquent customers remains important.

Given the asset quality stress, the company's credit costs increased to 3.4% of average managed assets (AMA) in 9M FY2025 from 2.8% in FY2024. Also, its operating efficiency deteriorated in 9M FY2025 amid muted AUM growth and higher manpower and administrative expenses. It reported a net profit of Rs. 65 crore in 9M FY2025, translating into an annualised return of 0.7% on AMA and 4.8% on average net worth (Rs. 232 crore, 2.0% and 13.5%, respectively, in FY2024). ICRA expects the credit costs to remain elevated in the near term, keeping the overall profitability subdued. AFPL's ability to control its credit costs and operating expenses and improve its profitability will be important from a credit perspective.

Elevated gearing level – The company's capital adequacy ratio stayed adequate at 31.5% as on December 31, 2024 (25.5% as on March 31, 2024; 24.7% as on March 31, 2023). However, managed gearing remained elevated at 5.4 times (reported gearing at 3.7 times) as on December 31, 2024 (managed gearing at 5.3 times and reported gearing at 3.7 times as on March 31, 2024). AFPL has a strong investor base, which has helped it scale up its operations while maintaining adequate capitalisation. ICRA notes that the company raised Rs. 300 crore through optionally convertible debentures in Q1 FY2025. In ICRA's opinion, AFPL would require a capital infusion in the near term to support the envisaged growth while maintaining a prudent capitalisation profile.

Political, communal, and other risks in microfinance sector, given the marginal borrower profile – Microfinance remains susceptible to the risks associated with unsecured lending to marginal borrowers with limited ability to absorb income shocks and the rising borrower leverage levels owing to an increase in multiple lending in the areas of operations. Further, political and operational risks associated with microfinance may result in high volatility in the asset quality indicators. The microfinance industry is prone to socio-political, climatic and operational risks, which could negatively impact its operations. AFPL's ability to onboard borrowers with a good credit history, recruit and retain employees as well as improve the geographical diversity of its operations would be key for managing high growth rates while maintaining its credit profile.

Liquidity position: Adequate

As on December 31, 2024, the company held free cash and bank balances and liquid investments of Rs. 882 crore. This, along with the scheduled inflow from advances (excluding interest) of Rs. 4,357 crore, is adequate to meet the scheduled debt repayments (excluding interest) of Rs. 3,367 crore during January 01, 2025 to December 31, 2025 in a timely manner. As per the asset-liability management (ALM) profile as on December 31, 2024, AFPL had no cumulative mismatches for at least one year.

AFPL also faces prepayment risk, given the possibility of debt acceleration upon the breach of covenants, including financial, operating and rating-linked covenants. As mentioned by the statutory auditor in the limited review financials for 9M FY2025, the company was in breach of covenants pertaining to eight debt funding agreements equivalent to Rs. 393 crore of borrowings outstanding as on December 31, 2024. It has received the requisite waivers for all eight agreements.

Rating sensitivities

Positive factors – A sustained improvement in AFPL's profitability indicators with a return on average managed assets (RoMA) of more than 2.5%, while maintaining adequate capitalisation and asset quality, could positively impact the rating.

Negative factors – Pressure on the rating could arise if there is a significant deterioration in the asset quality, thereby affecting the profitability on a sustained basis. The weakening of the capitalisation profile with a managed gearing of more than 6 times or a stretched liquidity position could also exert pressure on the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	[Rating Methodology for Non-banking Finance Companies]
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Annapurna Finance Private Limited (AFPL), formerly known as Annapurna Microfinance Private Limited (AMPL), was promoted by People's Forum, a society registered in Odisha. People's Forum has been engaged in various socio-economic development programmes, including microfinance, since 1990. In November 2009, it acquired an NBFC, Gwalior Finance and Leasing Company Private Limited, which was renamed AMPL in February 2010.

AFPL provides microcredit for mostly income-generating activities to women using the group lending model. It also offers other products such as individual loans to provide financial assistance to the micro, small and medium enterprise (MSME) segment, home and home improvement loans, consumer durable loans, etc. As on December 31, 2024, AFPL was catering to more than 29 lakh borrowers through a network of 1,631 branches spread across 438 districts in 21 states while managing a portfolio of Rs. 10,439 crore.

Key financial indicators (audited)

Annapurna Finance Private Limited	FY2022	FY2023	FY2024	9M FY2025*
Accounting as per	Ind-AS	Ind-AS	Ind-AS	Ind-AS
Total income	1,153	1,570	2,074	1,673
Profit after tax	17	33	232	65
Net worth (including CCD & CCPS)	1,454	1,629	1,818	1,820
Total managed assets	8,983	11,184	12,033	12,236
Return on average managed assets	0.2%	0.3%	2.0%	0.7%
Managed gearing (times)	4.8	5.6	5.3	5.4
Gross NPA	10.0%	4.0%	2.9%	4.0%
Capital/Risk-weighted assets	29.8%	24.7%	25.5%	31.5%

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; Total managed assets = (Total assets + Impairment allowance + Assigned portfolio); *Limited review*

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	May 07, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Long-term bank facilities – Fund based	Long term	1,600.00	[ICRA]A- (Stable)	14-May-2024	[ICRA]A- (Stable)	20-Jul-2023	[ICRA]A- (Stable)	22-Jul-2022	[ICRA]A- (Stable)
				27-Sep-2024	[ICRA]A- (Stable)	22-Aug-2023	[ICRA]A- (Stable)	22-Sep-2022	[ICRA]A- (Stable)
				19-Dec-2024	[ICRA]A- (Stable)	28-Sep-2023	[ICRA]A- (Stable)	12-Oct-2022	[ICRA]A- (Stable)
				28-Mar-2025	[ICRA]A- (Stable)	7-Nov-2023	[ICRA]A- (Stable)	31-Oct-2022	[ICRA]A- (Stable)
						4-Dec-2023	[ICRA]A- (Stable)	14-Dec-2022	[ICRA]A- (Stable)
								23-Mar-2023	[ICRA]A- (Stable)
Subordinated debt	Long term	93.00	[ICRA]A- (Stable)						
Optionally Convertible Debentures	Long term	300.00	[ICRA]A- (Stable)	28-Mar-2025	[ICRA]A- (Stable)				
Non-convertible debentures	Long term	202.58	[ICRA]A- (Stable)	14-May-2024	[ICRA]A- (Stable)	20-Jul-2023	[ICRA]A- (Stable)	22-Jul-2022	[ICRA]A- (Stable)
				27-Sep-2024	[ICRA]A- (Stable)	22-Aug-2023	[ICRA]A- (Stable)	22-Sep-2022	[ICRA]A- (Stable)
				28-Mar-2025	[ICRA]A- (Stable)	28-Sep-2023	[ICRA]A- (Stable)	12-Oct-2022	[ICRA]A- (Stable)
						7-Nov-2023	[ICRA]A- (Stable)	31-Oct-2022	[ICRA]A- (Stable)

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	May 07, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
						4-Dec-2023	[ICRA]A- (Stable)	14-Dec-2022	[ICRA]A- (Stable)
								23-Mar-2023	[ICRA]A- (Stable)
Subordinated debt	Long term	20.00	[ICRA]A- (Stable)	14-May-2024	[ICRA]A- (Stable)	20-Jul-2023	[ICRA]A- (Stable)	23-Mar-2023	[ICRA]A- (Stable)
				27-Sep-2024	[ICRA]A- (Stable)	22-Aug-2023	[ICRA]A- (Stable)		
				19-Dec-2024	[ICRA]A- (Stable)	28-Sep-2023	[ICRA]A- (Stable)		
				28-Mar-2025	[ICRA]A- (Stable)	7-Nov-2023	[ICRA]A- (Stable)		
						4-Dec-2023	[ICRA]A- (Stable)		
Subordinated debt	Long term	100.00	[ICRA]A- (Stable)	14-May-2024	[ICRA]A- (Stable)	20-Jul-2023	[ICRA]A- (Stable)		
				27-Sep-2024	[ICRA]A- (Stable)	22-Aug-2023	[ICRA]A- (Stable)		
				19-Dec-2024	[ICRA]A- (Stable)	28-Sep-2023	[ICRA]A- (Stable)		
				28-Mar-2025	[ICRA]A- (Stable)	7-Nov-2023	[ICRA]A- (Stable)		
						4-Dec-2023	[ICRA]A- (Stable)		
Subordinated debt	Long term	96.18	[ICRA]A- (Stable)	14-May-2024	[ICRA]A- (Stable)	22-Aug-2023	[ICRA]A- (Stable)		
				27-Sep-2024	[ICRA]A- (Stable)	28-Sep-2023	[ICRA]A- (Stable)		

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	May 07, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
				19-Dec-2024	[ICRA]A- (Stable)	7-Nov-2023	[ICRA]A- (Stable)		
				28-Mar-2025	[ICRA]A- (Stable)	4-Dec-2023	[ICRA]A- (Stable)		
Subordinated debt	Long term	31.00	[ICRA]A- (Stable)	14-May-2024	[ICRA]A- (Stable)	4-Dec-2023	[ICRA]A- (Stable)		
				27-Sep-2024	[ICRA]A- (Stable)				
				19-Dec-2024	[ICRA]A- (Stable)				
				28-Mar-2025	[ICRA]A- (Stable)				

Source: Company

Complexity level of the rated instruments

Instrument	Complexity indicator
Non-convertible debentures	Simple
Subordinated debt	Simple
Long-term bank facilities – Fund based	Simple
Optionally convertible debentures	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

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Long-term bank facilities – Fund based**	Aug-01-2022 to Jan-24-2025	NA	Sep-14-2024 to Mar-21-2027	1,600.00	[ICRA]A- (Stable)
INE515Q07574	**NCD**	Jul-20-2022	10.85%	Jul-29-2025	22.00	[ICRA]A- (Stable)
INE515Q07608	**NCD**	Nov-03-2022	10.90%	Nov-04-2027	46.88	[ICRA]A- (Stable)
INE515Q08234	**NCD**	Sep-11-2023	11.90%	Sep-13-2027	37.26	[ICRA]A- (Stable)
INE515Q07624	**NCD**	Nov-02-2023	12.00%	Nov-02-2029	53.82	[ICRA]A- (Stable)
INE515Q07632	**NCD**	Dec-24-2024	11.25%	Dec-15-2029	42.00	[ICRA]A- (Stable)
To be issued	**NCD**	-	-	-	0.62	[ICRA]A- (Stable)
INE515Q08259	**OCD**	May-07-2024	14.00%	May-07-2030	300.00^	[ICRA]A- (Stable)
INE515Q08218	**Sub-debt**	Mar-29-2023	13.10%	Aug-29-2028	20.00	[ICRA]A- (Stable)
INE515Q08226	**Sub-debt**	Jul-31-2023	12.40%	Apr-24-2029	60.00	[ICRA]A- (Stable)
INE515Q08226	**Sub-debt**	Aug-23-2023	12.40%	Apr-24-2029	60.00	[ICRA]A- (Stable)
INE515Q08242	**Sub-debt**	Dec-12-2023	12.25%	Sep-07-2029	100.00	[ICRA]A- (Stable)
To be issued	**Sub-debt**	-	-	-	100.18	[ICRA]A- (Stable)

Source: Company; ^ Put/call option available on June-07-2029

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

A M Karthik
+91 44 4596 4308
a.karthik@icraindia.com

Prateek Mittal
+91 33 7150 1100
prateek.mittal@icraindia.com

Arpit Agarwal
+91 124 4545 873
arpit.agarwal@icraindia.com

Arti Verma
+91 124 4545 313
arti.verma@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

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

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.

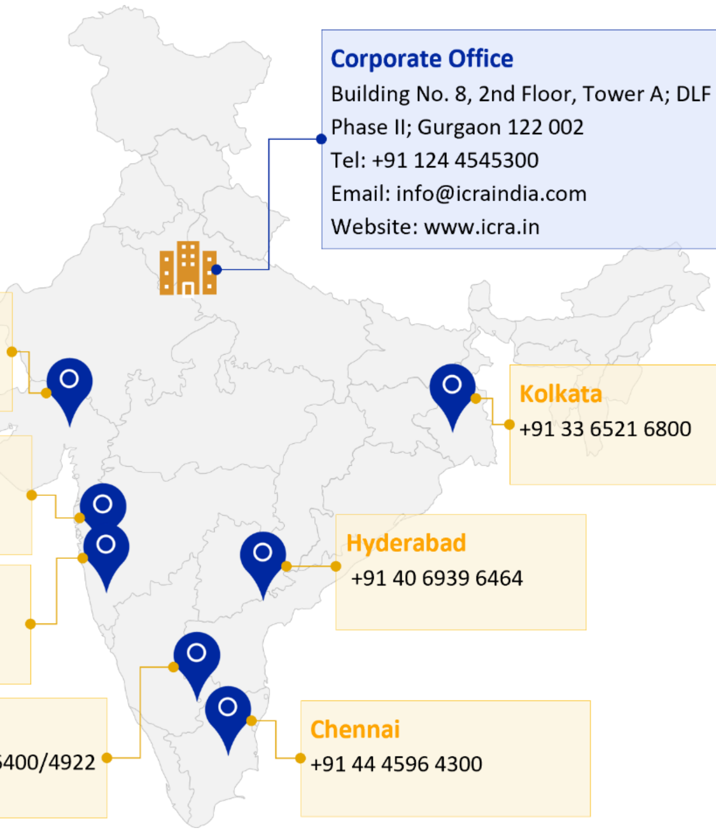
For more information, visit www.icra.in

ICRA Limited

Registered Office

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

Branches



Corporate Office
Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002
Tel: +91 124 4545300
Email: info@icraindia.com
Website: www.icra.in

Ahmedabad
+91 79 4027 1500/501

Mumbai
+91 22 6169 3300

Pune
+91 20 2556 1194

Bangalore
+91 80 4332 6400/4922 5500

Kolkata
+91 33 6521 6800

Hyderabad
+91 40 6939 6464

Chennai
+91 44 4596 4300