July 16, 2025

Annapurna Finance Private Limited: Rating assigned/reaffirmed; rating withdrawn for matured/redeemed NCDs

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	122.70	122.70	[ICRA]A- (Stable); reaffirmed
Non-convertible debenture programme	37.26	-	[ICRA]A- (Stable); reaffirmed and withdrawn
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	93.00	[ICRA]A- (Stable); reaffirmed
Non-convertible debenture programme	-	75.00	[ICRA]A- (Stable); assigned
Total	**2,442.76**	**2,480.50**	

**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 22% till FY2025), 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 29.6%, as of March 2025, was well above the regulatory requirement, its gearing (managed[2]) remained high at 5.7 times (reported gearing at 3.8 times). In ICRA's opinion, AFPL would have to maintain adequate capital buffers considering its current leverage (managed gearing of 5.7 times as of March 2025), envisaged growth plan and the industry-wide headwinds on asset quality. This shall remain a key rating monitorable.

The rating also considers the deterioration in AFPL's earnings profile in FY2025, on account of asset quality pressures. Higher slippages and write-offs led to an increase in the credit costs in FY2025. Further, the operating efficiency was impacted by the moderation in growth and focus on collections. ICRA notes that AFPL remained profitable in FY2025, though the return on average managed assets (RoMA) and return on average net worth declined to 0.6% and 3.9%, respectively (2.0% and 13.8%, respectively, in FY2024). ICRA expects credit costs to stay elevated and profitability to remain under pressure in the near term. ICRA notes that AFPL has taken a guarantee cover under Credit Guarantee Fund for Micro Units (CGFMU), covering a large portion of the microfinance portfolio as of March 2025, mitigating the credit risk to a certain extent.

---

[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.

ICRA has reaffirmed and simultaneously withdrawn the rating assigned to the Rs. 37.26-crore non-convertible debenture (NCD) programme as the instruments have matured/been redeemed with no amount outstanding against the same. This is in accordance with ICRA's policy on the withdrawal of credit ratings.

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 22% till FY2025) and reported an AUM of Rs. 11,034 crore as on March 31, 2025 (Rs. 10,336 crore as on March 31, 2024). As on March 31, 2025, it had a presence in 439 districts across 21 states through a network of 1,636 branches while catering to more than 29.3 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 (36%), subordinated debt (9%), loans from FIs/NBFCs (5%), external commercial borrowings (ECBs; 14%), NCDs (3%), and direct assignment (DA; 33%) as on March 31, 2025. AFPL raised Rs. 4,248 crore of on-book borrowings in 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– The industry, including AFPL, is facing asset quality challenges due to borrower overleveraging, socio-political disruptions, and operational challenges. Consequently, the asset quality and earnings profile were negatively impacted in FY2025. While slippages increased in FY2025, the company reported a decline in its reported gross non-performing advances (NPAs) to 2.7% as on March 31, 2025 (4.0% as on December 31, 2024) from 2.9% as on March 31, 2024, driven by write-offs and the sale of the portfolio to an asset reconstruction company in Q4 FY2025. Nonetheless, it held net investments in the security receipts (SRs) of the NPAs sold to asset reconstruction companies (ARCs; 1.2% of portfolio) as on March 31, 2025. Given the provisions carried by the company, the net NPAs were lower at 1.0% as on March 31, 2025. ICRA notes that AFPL has taken a guarantee cover under CGFMU, covering a large portion of the microfinance portfolio as of March 2025, 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 3.2% of average managed assets (AMA) in FY2025 from 2.8% in FY2024. Also, its operating efficiency deteriorated in FY2025 amid the moderation in growth and higher manpower and administrative expenses. It reported a net profit of Rs. 69 crore in FY2025, translating into an annualised return of 0.6% on AMA and 3.9% on average net worth (Rs. 232 crore, 2.0% and 13.8%, 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 29.6% as on March 31, 2025 (25.5% as on March 31, 2024). However, the managed gearing remained elevated at 5.7 times (reported gearing at 3.8 times) as on March 31, 2025 (managed gearing at 5.5 times and reported gearing at 3.9 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. Nonetheless, in ICRA's opinion, AFPL would have to maintain adequate capital buffers considering its current leverage (managed gearing of 5.7 times as of March 2025), envisaged growth plan and the industry-wide headwinds on asset quality. This shall remain a key rating monitorable.

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 March 31, 2025, the company held a free cash and bank balance and liquid investments of Rs. 530 crore. This, along with the scheduled inflow from advances (excluding interest) of Rs. 4,494 crore, is adequate to meet the scheduled debt repayments (excluding interest) of Rs. 3,283 crore during April 01, 2025 to March 31, 2026 in a timely manner. As per the asset-liability management (ALM) profile as on March 31, 2025, 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 audited financials for FY2025, the company was in breach of covenants pertaining to four debt-funding agreements amounting to Rs. 318 crore of the borrowings outstanding as on March 31, 2025. ICRA notes that AFPL has received the requisite waivers for all four agreements. Further, the company has been able to raise fresh funds from various lenders despite the breach of covenants.

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 Policy on Withdrawal of Credit Ratings
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 March 31, 2025, AFPL was catering to more than 29.3

lakh borrowers through a network of 1,636 branches spread across 439 districts in 21 states while managing a portfolio of Rs. 11,034 crore.

Key financial indicators (audited)

Annapurna Finance Private Limited	FY2023	FY2024	FY2025
Accounting as per	Ind-AS	Ind-AS	Ind-AS
Total income	1,570	2,074	2,201
Profit after tax	33	232	69
Net worth (including CCD & CCPS)	1,629	1,750	1,810
Total managed assets	11,184	11,943	12,588
Return on average managed assets	0.3%	2.0%	0.6%
Managed gearing (times)	5.6	5.5	5.7
Gross NPA	4.0%	2.9%	2.7%
Capital/Risk-weighted assets	24.7%	25.5%	29.6%

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

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)	July 16, 2025	FY2026		FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long-term bank facilities – Fund based	Long term	1,600.00	[ICRA]A- (Stable)	May 07, 2025	[ICRA]A- (Stable)	May 14, 2024	[ICRA]A- (Stable)	Jul-20-2023	[ICRA]A- (Stable)	Jul-22-2022	[ICRA]A- (Stable)
						Sep-27-2024	[ICRA]A- (Stable)	Aug-22-2023	[ICRA]A- (Stable)	Sep-22-2022	[ICRA]A- (Stable)
						Dec-19-2024	[ICRA]A- (Stable)	Sep-28-2023	[ICRA]A- (Stable)	Oct-12-2022	[ICRA]A- (Stable)
						Mar-28-2025	[ICRA]A- (Stable)	Nov-7-2023	[ICRA]A- (Stable)	Oct-31-2022	[ICRA]A- (Stable)
								Dec-4-2023	[ICRA]A- (Stable)	Dec-14-2022	[ICRA]A- (Stable)
										Mar-23-2023	[ICRA]A- (Stable)
Subordinated debt	Long term	93.00	[ICRA]A- (Stable)	May 07, 2025	[ICRA]A- (Stable)						
Optionally convertible debentures	Long term	300.00	[ICRA]A- (Stable)	May 07, 2025	[ICRA]A- (Stable)	Mar-28-2025	[ICRA]A- (Stable)				
Non-convertible debentures	Long term	75.00	[ICRA]A- (Stable)								
Non-convertible debentures	Long term	165.32	[ICRA]A- (Stable)	May 07, 2025	[ICRA]A- (Stable)	May-14-2024	[ICRA]A- (Stable)	Jul-20-2023	[ICRA]A- (Stable)	Jul-22-2022	[ICRA]A- (Stable)
						Sep-27-2024	[ICRA]A- (Stable)	Aug-22-2023	[ICRA]A- (Stable)	Sep-22-2022	[ICRA]A- (Stable)

Instrument	Current (FY2026)					Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	July 16, 2025	FY2026		FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
						Mar-28-2025	[ICRA]A-(Stable)	Sep-28-2023	[ICRA]A-(Stable)	Oct-12-2022	[ICRA]A-(Stable)
								Nov-7-2023	[ICRA]A-(Stable)	Oct-31-2022	[ICRA]A-(Stable)
								Dec-4-2023	[ICRA]A-(Stable)	Dec-14-2022	[ICRA]A-(Stable)
										Mar-23-2023	[ICRA]A-(Stable)
Subordinated debt	Long term	20.00	[ICRA]A-(Stable)	May 07, 2025	[ICRA]A-(Stable)	May-14-2024	[ICRA]A-(Stable)	Jul-20-2023	[ICRA]A-(Stable)	Mar-23-2023	[ICRA]A-(Stable)
						Sep-27-2024	[ICRA]A-(Stable)	Aug-22-2023	[ICRA]A-(Stable)		
						Dec-19-2024	[ICRA]A-(Stable)	Sep-28-2023	[ICRA]A-(Stable)		
						Mar-28-2025	[ICRA]A-(Stable)	Nov-7-2023	[ICRA]A-(Stable)		
								Dec-4-2023	[ICRA]A-(Stable)		
Subordinated debt	Long term	100.00	[ICRA]A-(Stable)	May 07, 2025	[ICRA]A-(Stable)	May-14-2024	[ICRA]A-(Stable)	Jul-20-2023	[ICRA]A-(Stable)		
						Sep-27-2024	[ICRA]A-(Stable)	Aug-22-2023	[ICRA]A-(Stable)		
						Dec-19-2024	[ICRA]A-(Stable)	Sep-28-2023	[ICRA]A-(Stable)		
						Mar-28-2025	[ICRA]A-(Stable)	Nov-7-2023	[ICRA]A-(Stable)		

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years							
				FY2026		FY2025		FY2024		FY2023	
	Type	Amount rated (Rs. crore)	July 16, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
								Dec-4-2023	[ICRA]A- (Stable)		
Subordinated debt	Long term	96.18	[ICRA]A- (Stable)	May 07, 2025	[ICRA]A- (Stable)	May-14-2024	[ICRA]A- (Stable)	Aug-22-2023	[ICRA]A- (Stable)		
						Sep-27-2024	[ICRA]A- (Stable)	Sep-28-2023	[ICRA]A- (Stable)		
						Dec-19-2024	[ICRA]A- (Stable)	Nov-7-2023	[ICRA]A- (Stable)		
						Mar-28-2025	[ICRA]A- (Stable)	Dec-4-2023	[ICRA]A- (Stable)		
Subordinated debt	Long term	31.00	[ICRA]A- (Stable)	May 07, 2025	[ICRA]A- (Stable)	May-14-2024	[ICRA]A- (Stable)	Dec-4-2023	[ICRA]A- (Stable)		
						Sep-27-2024	[ICRA]A- (Stable)				
						Dec-19-2024	[ICRA]A- (Stable)				
						Mar-28-2025	[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); withdrawn
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	-	-	-	75.62	[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)
INE515Q08275	Sub-debt	May-14-2025	11.75%	May-14-2031	100.00	[ICRA]A- (Stable)
To be issued	Sub-debt	-	-	-	0.18	[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 6521 6812
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.

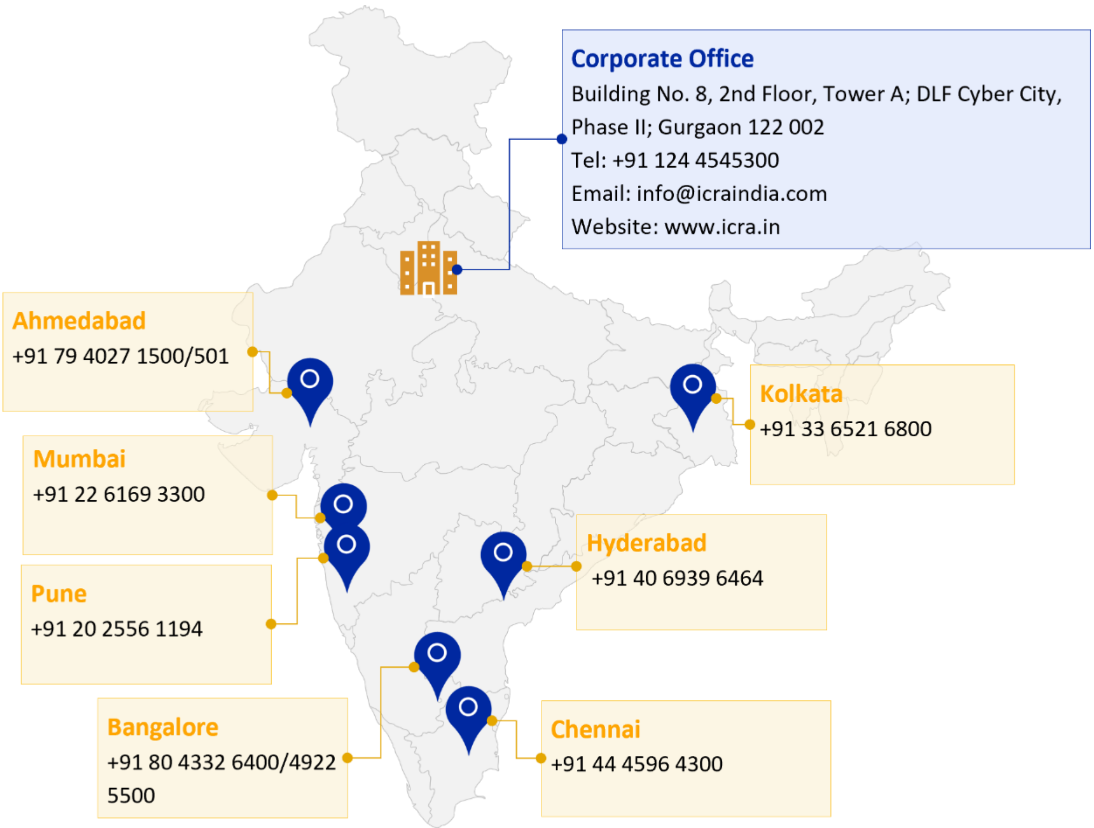
For more information, visit www.icra.in

ICRA Limited

Registered Office

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

Branches



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 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.