

September 11, 2025

Arohan Financial Services Limited: Ratings confirmed as final for PTCs backed by microfinance loan receivables issued by Ascent Gamma May 2025

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Ascent Gamma May 2025	Series A1 PTC	99.96	[ICRA]AA-(SO); provisional rating confirmed as final
	Series A2 PTC	3.49	[ICRA]A+(SO); provisional rating confirmed as final
	Equity Tranche	4.65	[ICRA]A-(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

In May 2025, ICRA had assigned provisional rating to the Series A1 Pass-Through Certificates (PTCs), Series A2 Pass-Through Certificates (PTCs) and Equity Tranche issued by Ascent Gamma May 2025 under a securitisation transaction originated by Arohan Financial Services Limited {Arohan/Originator, rated [ICRA]A (Stable)}. The PTCs are backed by a pool of microfinance loan receivables originated by Arohan with an aggregate principal outstanding of Rs. 116.23 crore (pool receivables of Rs. 137.95 crore). Arohan is also the servicer for the transaction.

Since the executed transaction documents are in line with the rating conditions and the legal opinion for the transaction has been provided to ICRA, the said rating has now been confirmed as final.

Pool performance summary

Parameter	Ascent Gamma May 2025
Payout month	July 2025
Months post securitisation	2
Pool amortisation	11.30%
PTC Series A1a amortisation	13.14%
PTC Series A1b amortisation	0.00%
Equity Tranche amortisation	0.00%
Cumulative prepayment rate	2.40%
Cumulative collection efficiency	98.95%
Loss cum 0+ dpd	0.66%
Loss cum 30+ dpd	0.24%
Loss cum 90+ dpd	0.00%
Cumulative cash collateral utilisation	0.00%

Transaction structure

As per the transaction structure, till Series A1 PTC and Series A2 PTC are outstanding, the monthly cash flow schedule comprises the promised interest payout to both tranches on the basis of respective principal outstanding. Till Series A1 PTC is outstanding, the principal is expected to be paid to it on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. Post full redemption of Series A1 PTC, the principal is expected to be paid to Series A2 PTC on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. Post full redemption of Series A2 PTC, the principal is expected to be paid to equity tranche 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. Any prepayment in the pool would be used for the prepayment of Series A1 PTC till its full redemption, then Series A2 PTC till its full redemption and lastly towards redemption of equity tranche.

If the portfolio at risk (PAR) 90 of the pool exceeds 8.00% of the initial principal outstanding, the EIS shall be utilised towards the repayment of Series A1 PTC till its full redemption, then Series A2 PTC till its full redemption and lastly towards redemption of equity tranche. The EIS utilisation trigger will be active only for the months for which the trigger condition is met and the same will be inactive otherwise.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 5.00% of the initial pool principal, amounting to Rs. 5.81 crore, provided by the Originator, (ii) principal subordination/over-collateralisation (OC) of 14.00% of the initial pool principal for Series A1 PTC in the form of Series A2 PTC, Equity Tranche and over-collateralisation (iii) the excess interest spread (EIS) of 13.45% 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 30,736 contracts, with top 10 borrowers forming less than 0.01% of the pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC, subordination and EIS would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts.

Seasoned contracts in the pool – The pool has amortised by almost ~34.57% as on the cut-off date with no delinquencies observed in any of the contracts, post loan disbursement, thereby reflecting the borrowers' relatively better credit profile.

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

Adequate servicing capability of Arohan – The company has adequate processes for servicing of the loan accounts in the securitised pool. It has demonstrated 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 ~82% 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 consequently rise in delinquencies in the current fiscal on account of multiple factors like heat wave, general elections, borrower overleveraging and attrition in the collection teams. Any sustained impact 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 final rating for the instrument.

Details of key counterparties

The key counterparties in the rated transactions are as follows:

Transaction Name	Ascent Gamma May 2025
Originator	Arohan Financial Services Limited
Servicer	Arohan Financial Services Limited
Investors	
Series A1 PTC	DCB Bank
Series A2 PTC	Northern ARC
Investor in Equity Tranche PTC	Arohan Financial Services Limited
Trustee	Catalyst Trusteeship Limited
CC bank	ICICI Bank
Collection and payout account bank	ICICI Bank

Liquidity position:

Superior for Series A1 PTC

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 ~6.75 times the estimated loss in the pool.

Superior for Series A2 PTC

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 ~6.00 times the estimated loss in the pool.

Strong for Equity Tranche PTC

The liquidity for Equity Tranche PTC is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~5.00 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 CE 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 CE utilisation levels, would result in a rating downgrade. Weakening in the credit profile of the servicer could also exert pressure on the rating.

Analytical approach

The rating action is based on the trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

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	FY2024	FY2025	Q1 FY2026*
As per	Ind-AS	Ind-AS	Ind-AS
Total income	1,635	1,695	365
Profit after tax	314	110	5
Total managed assets (grossed up for provisions)	8,654	7,228	7,235
Gross stage 3 assets	1.7%	2.8%	2.6%
CRAR	29.0%	34.1%	36.6%

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	Instrument	Current Rating (FY2026)		Chronology of Rating History for the Past 3 Years				
		Initial Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Date & Rating in FY2026		Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023
				Sep 11, 2025	Jun 04, 2025	-	-	-
Ascent Gamma May 2025	Series A1 PTC	99.96	99.96	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)	-	-	-
	Series A2 PTC	3.49	3.49	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-	-
	Equity Tranche	4.65	4.65	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)			

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 PTC	Moderately Complex
Series A2 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 Type	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Current Amount Rated (Rs. crore)	Current Rating
Ascent Gamma May 2025	Series A1 PTC	May 28, 2025	9.40%	May 27, 2027	99.96	[ICRA]AA-(SO)
	Series A2 PTC		11.50%		3.49	[ICRA]A+(SO)
	Equity Tranche		-		4.65	[ICRA]A-(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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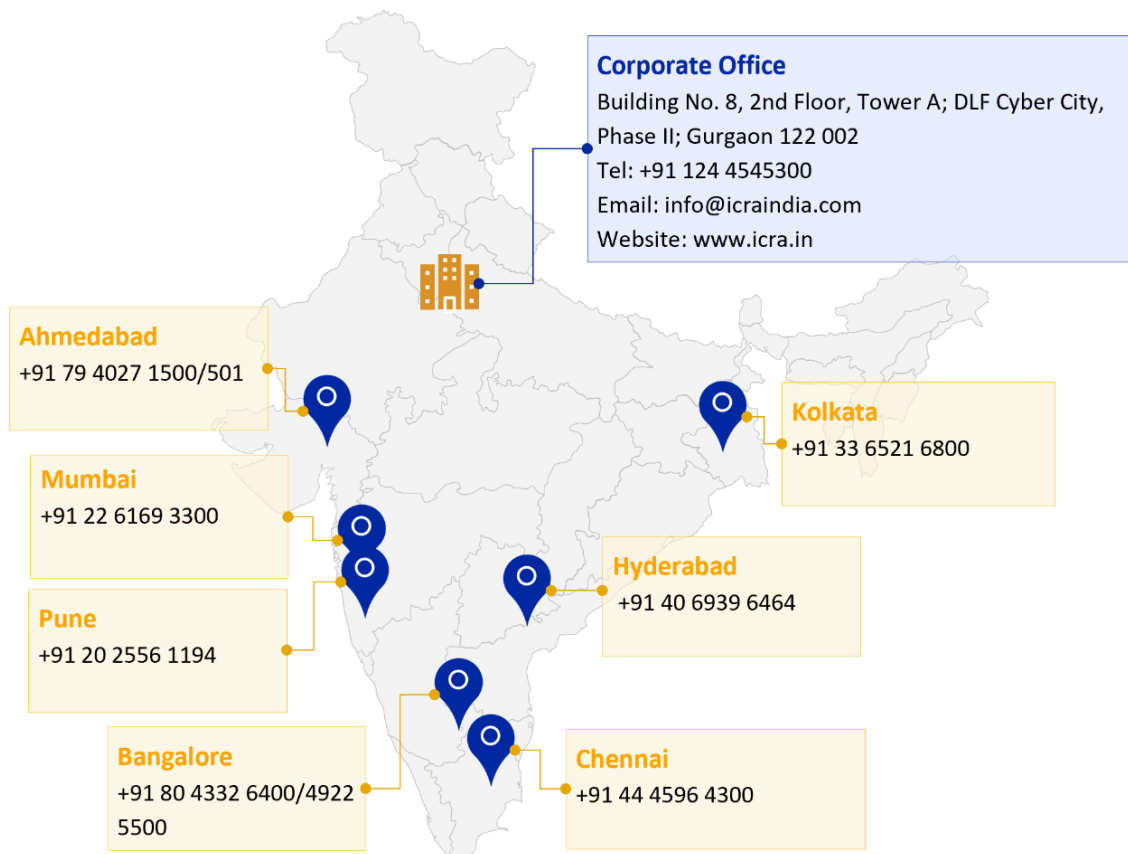


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