

January 13, 2026

## Arohan Financial Services Limited: Rating reaffirmed; rating withdrawn for matured instruments

### 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 (Stable); reaffirmed
Non-convertible debentures	260.00	260.00	[ICRA]A (Stable); reaffirmed
Non-convertible debentures	65.00	0.00	[ICRA]A (Stable); reaffirmed and withdrawn
Subordinated debt	25.00	25.00	[ICRA]A (Stable); reaffirmed
Subordinated debt	50.00	0.00	[ICRA]A (Stable); reaffirmed and withdrawn
<b>Total</b>	<b>6,003.07</b>	<b>5,888.07</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating factors in Arohan Financial Services Limited's established track record in microfinance and its comfortable capitalisation profile. Operating since 2006, the company has been able to scale up its business over the years and reported assets under management (AUM) of Rs. 6,009 crore as on September 30, 2025, with a presence in 17 states and catering to around 20 lakh borrowers. ICRA notes that the AUM had declined in FY2025 and H1 FY2026 owing to lending restrictions by the Reserve Bank of India (RBI), asset quality concerns in the industry and lending guardrails. However, disbursements are gradually picking up with Arohan reporting annualised AUM growth of ~6% in 8M FY2026; ICRA expects this to gradually improve. Further, the company had a capital adequacy ratio (CAR) of 34.5% as on September 30, 2025 while the gearing (managed) remained low at 2.5 times (2.4 times as on March 31, 2025). ICRA takes note of Arohan's plans to raise fresh equity capital in the near term, which shall further augment its capitalisation profile and support its near-to-medium term growth plans.

The rating is, however, constrained by the deterioration in the earnings profile in H1 FY2026 on account of elevated credit costs amid industry-wide asset quality stress. The company's profitability remains subdued with a profit after tax of ~Rs. 24 crore in H1 FY2026 (Rs. 110 crore in FY2025), translating to a return of 0.7% on average managed assets (AMA) and 2.4% on average net worth (1.4% and 5.6%, respectively, in FY2025) and remaining below the ICRA-stipulated rating sensitivity for profitability. Nonetheless, ICRA takes note of the steps being taken by the company to improve its collections and control its credit costs, including taking cover under Credit Guarantee Fund for Micro Units (CGFMU) for the portfolio generated post mid-June 2025. While profitability is expected to remain subdued in FY2026, it is projected to improve gradually.

The rating continues to consider the risks associated with the geographical concentration of Arohan's operations with the top 3 states comprising ~58% of the AUM as on September 30, 2025 (61% as on March 31, 2025). It also factors 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.

The Stable outlook considers Arohan's comfortable capital profile, which shall support portfolio growth and provide some buffer against volatility in asset quality, given the target business segment/borrower profile.

ICRA has reaffirmed and simultaneously withdrawn the rating for the Rs. 65.00-crore non-convertible (NCD) programme and Rs. 50.00 crore subordinated debt as the instruments have matured/been redeemed by the company with no amount

outstanding against the same. The rating has been withdrawn 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** – Arohan has an established track record of around two decades in microfinance with a presence in 17 states, catering to around 20 lakh borrowers as on September 30, 2025. ICRA notes that the company's AUM had declined in FY2025 and H1 FY2026 owing to lending restrictions by the RBI, asset quality concerns in the industry and lending guardrails. The company reported an AUM of Rs. 6,009 crore as on September 30, 2025 (Rs. 6,003 crore as on March 31, 2025). However, disbursements are gradually picking up with Arohan reporting annualised AUM growth of ~6% in 8M FY2026. ICRA takes comfort from Arohan's long track record of operations in the microfinance sector and expects AUM growth to gradually improve.

**Comfortable capitalisation profile** – The company remains well capitalised with a net worth of Rs. 2,054 crore and gearing (managed) of 2.5 times as on September 30, 2025 (Rs. 2,025 crore and 2.4 times, respectively, as on March 31, 2025). The CAR stood at 34.5% as on September 30, 2025 (34.1% as on March 31, 2025), well above the regulatory requirement of 15%. Further, Arohan plans to raise fresh equity capital in the near term, which shall augment its capital base and support its stated growth plans over the near-to-medium term while maintaining a prudent capitalisation profile.

### Credit challenges

**Subdued profitability, given elevated credit costs amid industry-wide asset quality stress** – The company reported a deterioration in its earnings profile in H1 FY2026 on account of elevated credit costs amid industry-wide asset quality stress. The industry, including Arohan, is facing asset quality challenges due to borrower overleveraging and operational issues. Consequently, slippages increased in FY2025 and remained high in H1 FY2026. The company undertook sizeable write-offs (Rs. 254 crore in H1 FY2026; Rs. 395 crore in FY2025), which helped control its reported gross non-performing advances (NPAs) at 2.1% as on September 30, 2025 (2.9% as on March 31, 2025). Consequently, credit costs increased to 5.4% (annualised) of AMA in H1 FY2026 (5.0% in FY2025) from 2.3% in FY2024. Further, the company's operating efficiency was impacted by the moderation in growth and focus on collections. Consequently, its profitability remains subdued with a profit after tax of Rs. 24 crore in H1 FY2026 (Rs. 110 crore in FY2025), translating to a return of 0.7% on AMA and 2.4% on average net worth (1.4% and 5.6%, respectively, in FY2025) compared to 4.1% and 19.3%, respectively, in FY2024, and has remained below the ICRA-stipulated rating sensitivity for profitability. ICRA takes note of the steps being taken by Arohan to improve its collections and control its credit costs, including taking cover under CGFMU for the portfolio generated after June 2025. While profitability is expected to remain subdued in FY2026, it is likely to improve gradually, going forward.

**Geographical concentration risk** – As on September 30, 2025, the company had a presence in 320 districts across 17 states through a network of 1,073 branches. However, the share of the microfinance portfolio<sup>1</sup> in West Bengal and Bihar remained high at 27% and 19%, respectively, as on September 30, 2025. The top 3 states comprised 58% of the AUM as on September 30, 2025 (61% as on March 31, 2025). ICRA notes that Arohan intends to gradually reduce its geographical concentration and has expanded its presence over the years in Maharashtra, Haryana, Gujarat and Tamil Nadu. Going forward, the company's ability to improve its geographical diversification while scaling up its operations remains important from a credit perspective.

**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

<sup>1</sup> Microfinance portfolio excluding inorganic buyout and corporate term loan

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. Arohan'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 September 30, 2025, Arohan had a free cash and bank balance and liquid investments of ~Rs. 1,120 crore with scheduled debt repayments of Rs. 1,791 crore for the 6-month period ending March 31, 2026 and scheduled principal collections of Rs. 2,353 crore during this period. Factoring in the expected collections from advances, the liquidity profile is likely to remain adequate to meet the debt obligations in a timely manner. Moreover, the company had ~Rs. 338 crore of sanctioned undrawn funding lines as on September 30, 2025, supporting its liquidity profile.

ICRA notes that Arohan also 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 liquidity profile shall face pressure. The management has clarified that Arohan is not in breach of any of its covenants pertaining to its outstanding debt.

### Rating sensitivities

**Positive factors** – An increase in the scale, while maintaining healthy profitability (return on managed assets (RoMA) of more than 3%), a prudent capitalisation profile and an improvement in the asset quality indicators on a sustained basis would have a positive impact on the rating.

**Negative factors** – Pressure on the rating could arise if the managed gearing exceeds 5.5 times on a continued basis or the asset quality deteriorates significantly and/or the profitability (RoMA of less than 2%) weakens on a sustained basis.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Non-banking finance companies (NBFCs)</a> <a href="#">Policy on withdrawal of credit ratings</a>
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

### About the company

Arohan Financial Services Limited is a Kolkata-headquartered non-banking financial company – microfinance institution (NBFC-MFI). While it was incorporated on September 27, 1991, it has been engaged in microfinance since April 2006. 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 Aavishkaar Group in September 2012. As on September 30, 2025, it had assets under management (AUM) of ~Rs. 6,009 crore.

### Key financial indicators

Arohan Financial Services Limited	FY2024	FY2025	H1 FY2026*
As per	Ind-AS	Ind-AS	Ind-AS
<b>Total income</b>	1,635	1,695	747
<b>Profit after tax</b>	314	110	24
<b>Total managed assets (grossed up for provisions)</b>	8,654	7,228	7,536
<b>Return on average managed assets</b>	4.1%	1.4%	0.7%
<b>Managed gearing (times)</b>	3.3	2.4	2.5

Arohan Financial Services Limited	FY2024	FY2025	H1 FY2026*
As per	Ind-AS	Ind-AS	Ind-AS
<b>Gross stage 3 assets</b>	1.7%	2.9%	2.1%
<b>CRAR</b>	29.0%	34.1%	34.5%

*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; \*Provisional*

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

**Any other information: None**

## Rating history for past three years

Instrument	Current (FY2026)					Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	January 13, 2026	FY2026		Date	Rating	FY2025		FY2024	
				Date	Rating			Date	Rating	Date	Rating
Long-term bank facilities - Fund based	Long term	5,603.07	[ICRA]A (Stable)	Apr 02, 2025	[ICRA]A (Stable)	May 20, 2024	[ICRA]A (Stable)	Aug 14, 2023	[ICRA]A-(Positive)	Apr 06, 2022	[ICRA]A-(Negative)
				May 02, 2025	[ICRA]A (Stable)	Oct 25, 2024	[ICRA]A; Rating Watch with Negative Implications	Nov 9, 2023	[ICRA]A-(Positive)	Jun 21, 2022	[ICRA]A-(Negative)
				Jun 03, 2025	[ICRA]A (Stable)	Nov 11, 2024	[ICRA]A; Rating Watch with Negative Implications	Jan 10, 2024	[ICRA]A (Stable)	Jul 01, 2022	[ICRA]A-(Negative)
				Jul 02, 2025	[ICRA]A (Stable)	Jan 14, 2025	[ICRA]A (Stable)	-	-	Jul 14, 2022	[ICRA]A-(Negative)
				Aug 04, 2025	[ICRA]A (Stable)	Feb 4, 2025	[ICRA]A (Stable)	-	-	Sep 21, 2022	[ICRA]A-(Negative)
				Sep 02, 2025	[ICRA]A (Stable)	Mar 4, 2025	[ICRA]A (Stable)	-	-	Dec 26, 2022	[ICRA]A-(Stable)
				Sep 30, 2025	[ICRA]A (Stable)	-	-	-	-	-	-
				Nov 04, 2025	[ICRA]A (Stable)	-	-	-	-	-	-
				Dec 02, 2025	[ICRA]A (Stable)	-	-	-	-	-	-
				Jan 05, 2026	[ICRA]A (Stable)	-	-	-	-	-	-
NCDs	Long term	200.00	[ICRA]A (Stable)	Apr 02, 2025	[ICRA]A (Stable)	May 20, 2024	[ICRA]A (Stable)	Aug 14, 2023	[ICRA]A-(Positive)	Apr 06, 2022	[ICRA]A-(Negative)
				May 02, 2025	[ICRA]A (Stable)	Oct 25, 2024	[ICRA]A; Rating Watch with Negative Implications	Nov 9, 2023	[ICRA]A-(Positive)	Jun 21, 2022	[ICRA]A-(Negative)
				Jun 03, 2025	[ICRA]A (Stable)	Nov 11, 2024	[ICRA]A; Rating Watch with	Jan 10, 2024	[ICRA]A (Stable)	Jul 01, 2022	[ICRA]A-(Negative)

Instrument	Current (FY2026)					Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	January 13, 2026	Date	Rating	Date	Rating	Date	Rating	Date	Rating
							Negative Implications				
				Jul 02, 2025	[ICRA]A (Stable)	Jan 14, 2025	[ICRA]A (Stable)	-	-	Jul 14, 2022	[ICRA]A- (Negative)
				Aug 04, 2025	[ICRA]A (Stable)	Feb 4, 2025	[ICRA]A (Stable)	-	-	Sep 21, 2022	[ICRA]A- (Negative)
				Sep 02, 2025	[ICRA]A (Stable)	Mar 4, 2025	[ICRA]A (Stable)	-	-	Dec 26, 2022	[ICRA]A- (Stable)
				Sep 30, 2025	[ICRA]A (Stable)	-	-	-	-	-	-
				Nov 04, 2025	[ICRA]A (Stable)						
				Dec 02, 2025	[ICRA]A (Stable)						
				Jan 05, 2026	[ICRA]A (Stable)						
<b>NCDs</b>	Long term	65.00	[ICRA]A (Stable); withdrawn								
<b>NCDs</b>	Long term	60.00	[ICRA]A (Stable)	Apr 02, 2025	[ICRA]A (Stable)	May 20, 2024	[ICRA]A (Stable)	Aug 14, 2023	[ICRA]A- (Positive)	Apr 06, 2022	[ICRA]A- (Negative)
				May 02, 2025	[ICRA]A (Stable)	Oct 25, 2024	[ICRA]A; Rating Watch with Negative Implications	Nov 9, 2023	[ICRA]A- (Positive)	Jun 21, 2022	[ICRA]A- (Negative)
				Jun 03, 2025	[ICRA]A (Stable)	Nov 11, 2024	[ICRA]A; Rating Watch with Negative Implications	Jan 10, 2024	[ICRA]A (Stable)	Jul 01, 2022	[ICRA]A- (Negative)
				Jul 02, 2025	[ICRA]A (Stable)	Jan 14, 2025	[ICRA]A (Stable)	-	-	Jul 14, 2022	[ICRA]A- (Negative)
				Aug 04, 2025	[ICRA]A (Stable)	Feb 4, 2025	[ICRA]A (Stable); downgraded to [ICRA]D and simultaneously upgraded to	-	-	Sep 21, 2022	[ICRA]A- (Negative)

Instrument	Current (FY2026)					Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	January 13, 2026	Date	Rating	Date	Rating	Date	Rating	Date	Rating
							[ICRA]A (Stable)				
				Sep 02, 2025	[ICRA]A (Stable)	Mar 4, 2025	[ICRA]A (Stable)	-	-	Dec 26, 2022	[ICRA]A- (Stable)
				Sep 30, 2025	[ICRA]A (Stable)	-	-	-	-	-	-
				Nov 04, 2025	[ICRA]A (Stable)						
				Dec 02, 2025	[ICRA]A (Stable)						
				Jan 05, 2026	[ICRA]A (Stable)						
NCDs	Long term	-	-	-	-	May 20, 2024	[ICRA]A (Stable)	Aug 14, 2023	[ICRA]A- (Positive)	Apr 06, 2022	[ICRA]A- (Negative)
						Oct 25, 2024	[ICRA]A; Rating Watch with Negative Implications	Nov 9, 2023	[ICRA]A- (Positive)	Jun 21, 2022	[ICRA]A- (Negative)
						Nov 11, 2024	[ICRA]A; Rating Watch with Negative Implications	Jan 10, 2024	[ICRA]A (Stable)	Jul 01, 2022	[ICRA]A- (Negative)
						-	-	-	-	Jul 14, 2022	[ICRA]A- (Negative)
										Sep 21, 2022	[ICRA]A- (Negative)
Subordinated debt	Long term	25.00	[ICRA]A (Stable)	Apr 02, 2025	[ICRA]A (Stable)	May 20, 2024	[ICRA]A (Stable)	Aug 14, 2023	[ICRA]A- (Positive)	Sep 21, 2022	[ICRA]A- (Negative)
						Oct 25, 2024	[ICRA]A; Rating Watch with Negative Implications	Nov 9, 2023	[ICRA]A- (Positive)	Dec 26, 2022	[ICRA]A- (Stable)
						Jun 03, 2025	[ICRA]A (Stable)	Nov 11, 2024	[ICRA]A; Rating Watch with	-	-

Instrument	Current (FY2026)					Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	January 13, 2026	FY2026		Date	Rating	Date	Rating	Date	Rating
				Jul 02, 2025	[ICRA]A (Stable)	Jan 14, 2025	[ICRA]A (Stable)				
				Aug 04, 2025	[ICRA]A (Stable)	Feb 4, 2025	[ICRA]A (Stable)				
				Sep 02, 2025	[ICRA]A (Stable)	Mar 4, 2025	[ICRA]A (Stable)				
				Sep 30, 2025	[ICRA]A (Stable)	-	-				
				Nov 04, 2025	[ICRA]A (Stable)						
				Dec 02, 2025	[ICRA]A (Stable)						
				Jan 05, 2026	[ICRA]A (Stable)						
<b>Subordinated debt</b>	Long term	50.00	[ICRA]A (Stable); withdrawn								

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
INE808K08079	NCD	Mar-31-2022	13.65%	Jun-30-2027	200.00	[ICRA]A (Stable)
INE808K08061	NCD	Oct-25-2019	12.85%	Oct-25-2026	25.00	[ICRA]A (Stable)
INE808K08053*	NCD	Aug-14-2018	13.25%	Sep-30-2025	35.00	[ICRA]A (Stable)
INE808K08046	NCD	Mar-29-2018	13.25%	Apr-28-2025	65.00	[ICRA]A (Stable); withdrawn
NA	<b>Long-term bank facilities – Fund based</b>	Jun-08-2018 to Apr-02-2024	5.15-11.75%	Jul-10-2023 to Apr-30-2027	5,603.07	[ICRA]A (Stable)
NA	<b>Subordinated debt (term loan)</b>	Mar-30-2021	14.25%	Jun-04-2027	25.00	[ICRA]A (Stable)
NA	<b>Subordinated debt (term loan)</b>	Mar-07-2018	13.50%	Apr-01-2025	50.00	[ICRA]A (Stable); withdrawn

Source: Company

\*Instrument (ISIN) has matured but redemption confirmation/no objection certificate (NOC) is awaited

[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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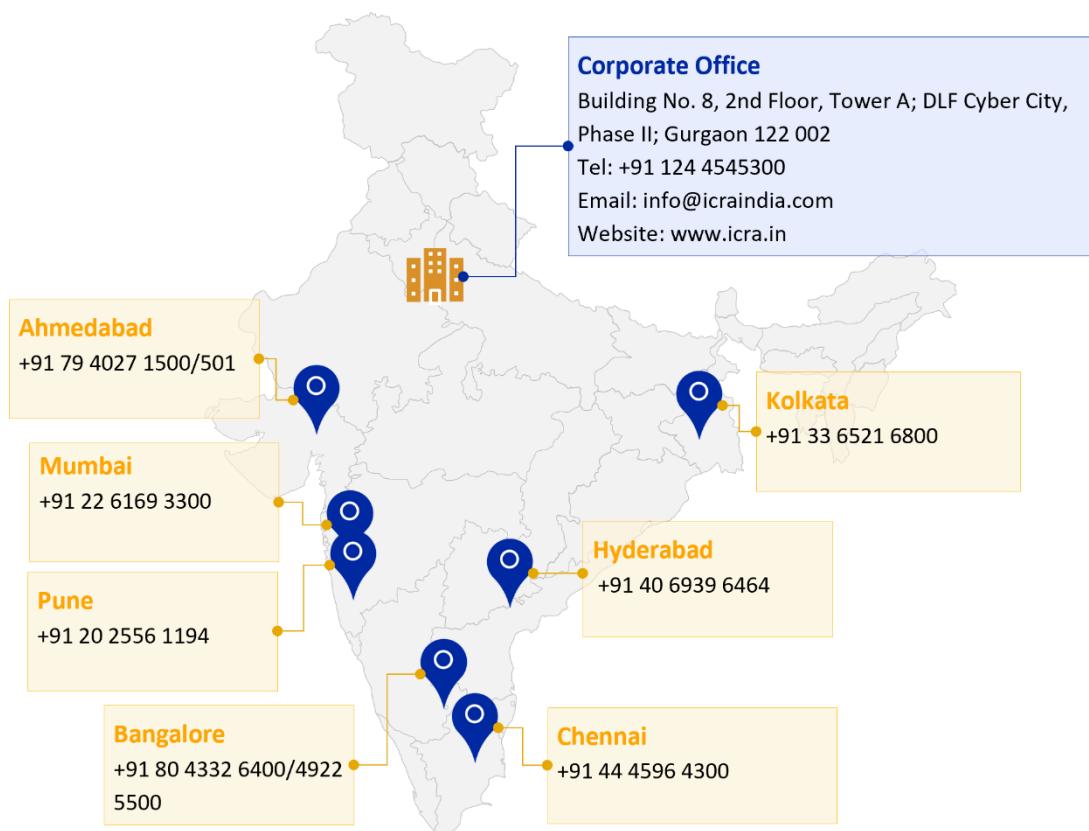
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