

April 02, 2026

Arohan Financial Services Limited: Provisional ratings assigned to PTCs backed by microfinance loan receivables issued by Lagertha 2026

Summary of rating action

Trust name	Instrument*	Current rated amount (Rs. crore)	Rating action
Lagertha 2026	Series A1a PTC	67.39	Provisional [ICRA]AAA(SO); assigned
	Series A1b PTC	44.93	Provisional [ICRA]A+(SO); assigned

**Instrument details are provided in Annexure I*

Rating in the absence of pending action/documents	No rating would have been assigned as it would not be meaningful
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Rationale

The pass-through certificates (PTCs) are backed by a pool of microfinance loan receivables originated by Arohan Financial Services Limited {Arohan/Originator; rated [ICRA]A (Stable)} with an aggregate principal outstanding of Rs. 124.81 crore (pool receivables of Rs. 151.07 crore). Arohan would also be the servicer for the transaction.

The provisional rating is based on the strength of the cash flows from the selected pool of contracts, the credit enhancement available in the structure as well as the integrity of the legal structure. The rating is subject to the fulfilment of all the conditions under the structure and ICRA's review of the documentation pertaining to the transaction.

Transaction structure

As per the transaction structure, both PTC Series A1a and PTC Series A1b investors will receive the promised interest payouts each month on pari-passu basis. All the principal collections including prepayments would be passed on to PTC Series A1a on an expected basis till the 'attachment month'. The 'attachment month' is defined as December 2027, the month till which the pool principal billing would be ~1.8 times the PTC Series A1a principal. Post the attachment month, all principal collections including prepayments would be passed on to both series of PTC Series A1 on a pari-passu basis. The principal is promised to the investors for both series of PTCs (PTC Series A1a and PTC Series A1b) on the legal final maturity date of the tranches.

The credit enhancement for PTC Series A1a is available in the form of pool principal cover of ~1.8 times over the PTC Series A1a principal and pool cashflow cover of ~2.1 times over the PTC Series A1a cashflows till the attachment month. For PTC Series A1b the credit enhancement is available in the form of subordination of 10.00% of the initial pool principal and excess interest spread (EIS) of 14.29% of the initial pool principal. Further credit enhancement is available in the structure in the form of a CC of 5.00% of the initial pool principal, amounting to Rs. 6.24 crore, to be provided by the Originator (Arohan). The CC will be used to meet shortfalls in promised payouts to PTC investors.

Key rating drivers and their description

Credit strengths

Granular pool with available credit enhancement – The pool is granular, consisting of 24,918 contracts, with top 10 borrowers forming less than 0.30% 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 weighted average pre securitisation amortisation of 18.34% 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 Karnataka contributing ~69% 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 4.25% 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 ratings for the instruments.

Liquidity position

Series A1a PTC: Superior

The liquidity for the Series A1a PTC instrument in the transaction is superior after factoring in the credit enhancement available to meet the promised payouts to the investors. The total credit enhancement for Series A1 PTC is more than 10 times the estimated loss in the pool.

Series A1b PTC: Strong

The liquidity for the Series A1b PTC instrument in the transaction is strong after factoring in the credit enhancement available to meet the promised payouts to the investors. The total credit enhancement for Series A1 PTC is 5.75 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 credit enhancement 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 credit enhancement 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 analysis of the performance of Arohan’s portfolio till December 2025, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the credit enhancement cover available in the transaction.

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

Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned ratings are provisional and would be converted into final upon the execution of:

1. Trust deed
2. Assignment agreement
3. Power of Attorney
4. Legal opinion
5. Trustee letter
6. Other key or important documents executed for the transaction

Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA’s Policy on Provisional Ratings available at www.icra.in.

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 borrowers, 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 December 31, 2025, it was managing assets under management (AUM) of ~Rs. 6,308 crore.

Key financial indicators

Arohan Financial Services Limited	FY2024	FY2025	9M FY2026*
As per	Ind-AS	Ind-AS	Ind-AS
Total income	1,635	1,695	1,133
Profit after tax	314	110	61
Total managed assets (grossed up for provisions)	8,654	7,228	7,937
Gross stage 3 assets	1.7%	2.9%	1.6%
CRAR	29.0%	34.1%	31.2%

Source: Company data, ICRA Research; Amount in Rs. Crore; *Provisional numbers

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Trust name	Current rating (FY2027)				Chronology of rating history for the past 3 years			
		Instrument	Current amount rated (Rs. crore)	Amount outstanding (Rs. crore)	Date & rating in FY2027	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	
					April 02, 2026				
1	Lagertha 2026	Series A1a PTC	67.39	67.39	Provisional [ICRA]AAA(SO)	-	-	-	
		Series A1b PTC	44.93	44.93	Provisional [ICRA]A+(SO)	-	-	-	

Complexity level of the rated instrument

Instrument	Complexity indicator
Series A1a PTC	Highly Complex
Series A1b PTC	Highly 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	Date of issuance/ Sanction	Coupon rate (p.a.p.m.)	Maturity date	Current amount rated (Rs. crore)	Current rating
Lagertha 2026	Series A1a PTC	March 30, 2026	8.55%	May 26, 2028	67.39	Provisional [ICRA]AAA(SO)
	Series A1b PTC	March 30, 2026	10.40%	May 26, 2028	44.93	Provisional [ICRA]A+(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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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.

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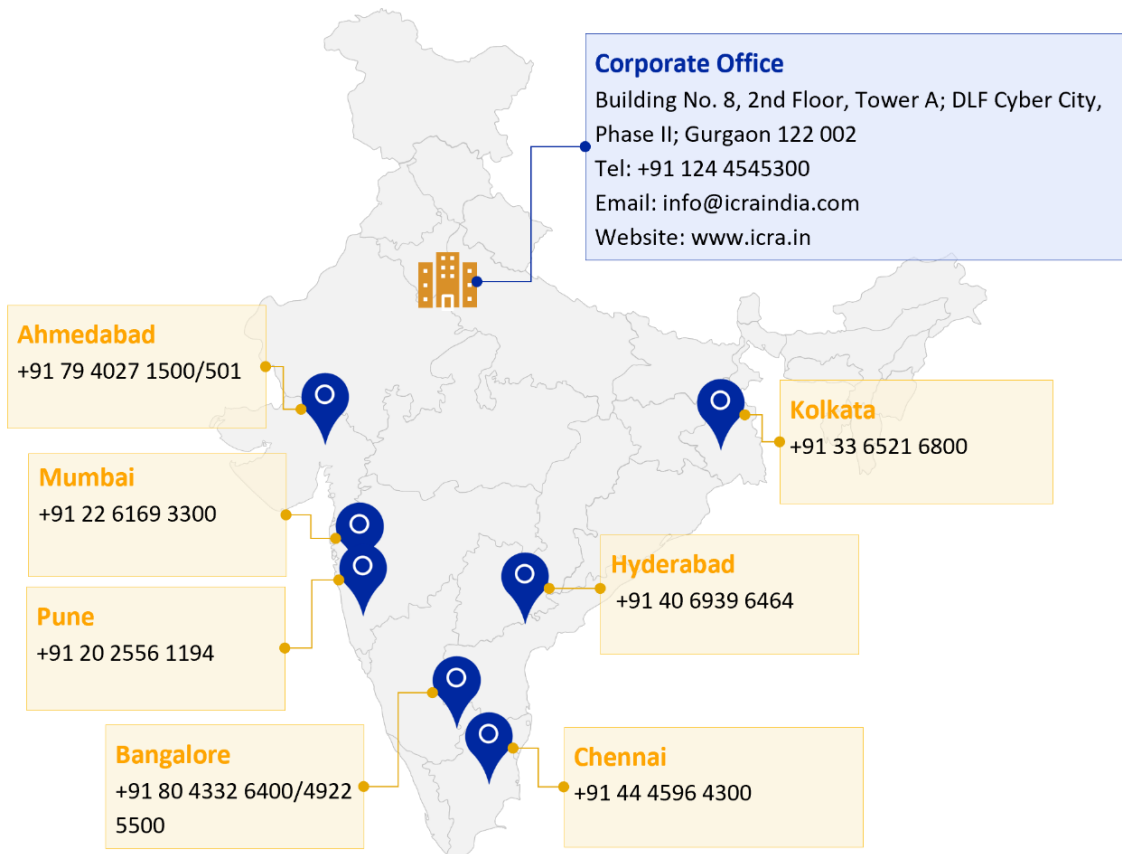


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