

April 27, 2026

Arman Financial Services Limited: Rating upgraded for PTCs issued under a pool of unsecured MSME loan receivables

Summary of rating action

Trust name	Instrument*	Initial rated amount (Rs. crore)	Amount O/s after last rating exercise (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Crest 2025	PTC Series A1	52.06	NA	20.01	[ICRA]A+(SO); upgraded from [ICRA]A(SO)

*Instrument details are provided in Annexure II

Rationale

The pass-through certificates (PTCs) are backed by a pool of unsecured MSME loan receivables originated by Arman Financial Services Limited (AFSL/Originator). AFSL is the Servicer for the transaction.

The rating has been upgraded on account of the build-up of the credit enhancement cover over the future PTC payouts on account of high pool amortisation and low expected balance tenor of the PTCs. The rating draws comfort from the fact that the breakeven collection efficiency is comfortable compared to the actual collection levels observed in the pool till the March 2026 payout month.

Pool performance summary

Parameter	Crest 2025
Payout month	March 2026
Months post securitisation	11
Pool amortisation	55.4%
PTC amortisation	61.6%
Cumulative prepayment rate	3.6%
Cumulative collection efficiency	97.9%
Loss-cum-30+ days past due (dpd ¹ ; % of initial pool)	2.8%
Loss-cum-90+ dpd ² (% of initial pool)	2.0%
Cumulative cash collateral utilisation	0.0%
Breakeven collection efficiency (BECC) ³	59.3%
CC available (as % of balance pool principal)	13.5%
Principal subordination (% of balance pool)	22.4%
Excess interest spread (EIS ⁴ ; % of balance pool)	9.9%

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. The residual cash flows from the pool, after meeting the promised and expected payouts, will be flow back to the originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of the PTC Series A1 principal. The transaction has certain trigger events defined, on occurrence of which the residual cash flows would be passed on to PTC Series A1 investors.

¹ Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 30 days, as a % of Initial pool principal

² Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 90 days, as a % of Initial pool principal

³ (Balance cash flows payable to PTC investor – CC available)/Balance pool cash flows

⁴ (Pool cash flows – Cash flows to PTC – Originator's residual share)/Pool principal outstanding

Key rating drivers and their description

Credit strengths

Build-up of credit enhancement – The rating factors in the build-up in the credit enhancement with the cash collateral (CC) increasing to 13.5% of the balance pool principal from 6.0% at the time of securitisation. Credit support is also available through subordination/over-collateralisation of 22.4% for PTC Series A1 and excess interest spread (EIS) of 9.9% of the balance pool principal for PTC Series A1. Further, there have been no instances of cash collateral utilisation for the pool till date owing to presence of EIS in the transaction.

Healthy Collections seen in the pool – The pool has shown healthy collections till date with monthly collections upwards of 93% in all months post securitisation and cumulative collection efficiency of 97.9% as on March 2026 payout month.

Adequate servicing capability of the originator – The Originator 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

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 pool is exposed to the inherent credit risk associated with the unsecured nature of the asset class and that recovery from delinquent contracts tends to be lower.

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 3.00% of the initial pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 3% to 9% 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 transaction are as follows:

Transaction Name	Crest 2025
Originator	Arman Financial Services Limited
Servicer	Arman Financial Services Limited
Trustee	Mitcon Credentia Trusteeship Services Limited
CC holding Bank	Federal Bank
Collection and payout account Bank	ICICI Bank

Liquidity position: Strong

The liquidity for PTC Series A1 is strong after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be 6 times the estimated loss in the pool.

Rating sensitivities

Positive factors – The sustained strong collection performance of the underlying pool of contracts 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 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 (AFSL) could also exert pressure on the rating.

Analytical approach

The rating action is based on the performance of the pool till March 2026 (payout month), the present delinquency levels and the credit enhancement available in the pool, and the performance expected over the balance tenure of the pool.

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

About the Originator

Arman Financial Services Limited (AFSL) is a publicly listed Non-Banking Finance Company (NBFC). Established on November 26, 1992, as Arman Lease & Finance Ltd., the company has evolved into a diversified NBFC focusing on rural and semi-urban financing. The company provides a wide spectrum of financial services, including MSME financing, vehicle financing, LAP and microfinance services. As on December 31, 2025, AFSL standalone portfolio comprises approximately 80% MSME loans, 16% Two-wheeler and 4% loans against property (LAP). AFSL has presence in 11 states, catering to 1.3 lakh customers through a network of 122 branches as on December 31, 2025. The company's microfinance operations are conducted through its wholly owned subsidiary, Namra Finance Limited.

Key Financial Indicators

Arman Financial Services Limited	FY2024	FY2025	9MFY2026
Standalone	Audited	Audited	Unaudited
Total income	133.5	185.3	156.9
Profit after tax	37.9	43.2	30.8
Assets under management	315.3	446.2	656.7
Gross NPA	2.6%	2.6%	3.4%
CRAR	32.6%	62.7%	38.3%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Sr. No.	Trust Name	Current Rating (FY2027)				Chronology of Rating History for the Past 3 Years			
		Instrument	Initial amount rated (Rs. crore)	Current amount rated (Rs. crore)	Date & Rating in FY2027	Date & Rating in FY2026	Date & Rating in FY2025	Date & Rating in FY2024	
					April 27, 2026	April 23, 2025	March 31, 2025	-	
1	Crest 2025	PTC Series A1	52.06	20.01	[ICRA]A+(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10, 2026

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ Fls (\$)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, Fls	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, Fls	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/Fls)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI

10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA
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- (@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.
- (#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI’s grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A1	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 II: Instrument details

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Amount Rated (Rs. crore)	Current Rating
Crest 2025	PTC Series A1	March 25, 2025	11.25%	December 24, 2026	20.01	[ICRA]A+(SO)

Source: Company

Annexure III: List of entities considered for consolidated analysis

Not Applicable

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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.

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