July 15, 2026

Annapurna Finance Private Limited: Rating reaffirmed; rating withdrawn for matured/redeemed NCDs

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Subordinated debt	340.18	340.18	[ICRA]A- (Stable); reaffirmed	SEBI
Non-convertible debenture programme	117.63	117.63	[ICRA]A- (Stable); reaffirmed	SEBI
Non-convertible debenture programme	53.82	53.82	[ICRA]A- (Stable); reaffirmed	MCA
Non-convertible debenture programme	68.87	-	[ICRA]A- (Stable); reaffirmed and withdrawn	SEBI
Long-term bank facilities – Fund-based	1,600.00	1,600.00	[ICRA]A- (Stable); reaffirmed	RBI
Optionally convertible debenture	300.00	300.00	[ICRA]A- (Stable); reaffirmed	MCA
Total	**2,480.50**	**2,411.63**		

**Instrument details are provided in Annexure I*

 # 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

Rationale

The rating factors in Annapurna Finance Private Limited's (AFPL) established track record of more than two decades in microfinance, including lending through its parent organisation, People's Forum. Backed by an experienced management team, the company has consistently expanded its assets under management (AUM), with a five-year CAGR[1] (up to FY2026) of ~19%, despite various headwinds faced by the microfinance sector. While growth was relatively slower in FY2026, with AUM rising by 5% to Rs. 11,535 crore as on March 31, 2026, ICRA expects growth to pick up and AUM is anticipated to increase by 15-20% over the near-to-medium term. AFPL also maintains a diversified borrowing profile, comprising a healthy mix of private sector banks, public sector banks, non-banking financial companies (NBFCs) and financial institutions (FIs). However, leverage remains elevated because of the absence of primary equity infusion and subdued profitability in recent years. Although the company's capital adequacy ratio of 28.1% as of March 2026 was well above the regulatory requirement, its managed gearing stayed elevated at ~6.0 times (reported gearing: 4.0 times), close to ICRA stipulated rating sensitivity. ICRA takes note of its equity raising plans, which shall aid in the maintenance of a prudent capitalisation profile while supporting its growth plans.

The rating also factors in the elevated asset quality stress witnessed by AFPL, given the industry-wide asset quality challenges. While the reported gross non-performing assets (NPAs) stood at 2.9% as on March 31, 2026 (2.7% as on March 31, 2025), the company also held security receipts (SRs; 5.4% [of on-book] as on March 31, 2026; 4.9% as on March 31, 2025) against NPAs sold to asset reconstruction companies (ARCs). In view of the stress witnessed, the earnings profile remained subdued in FY2026, with it reporting a net profit of Rs. 36 crore, translating to a return of 0.3% on average managed assets (AMA), compared to Rs. 69 crore and 0.6%, respectively, in FY2025. While credit costs stayed under control in FY2026, lower growth and subdued operating efficiency, partially owing to guarantee fee being paid for coverage under Credit Guarantee Fund for

[1] Compounded annual growth rate

Micro Units (CGFMU) impacted the company's overall earnings. ICRA expects a gradual improvement in AFPL's asset quality and earnings profile.

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, the heightened macroeconomic uncertainties stemming from the West Asia conflict and monsoon forecast pose downside risks to the asset quality. ICRA notes that AFPL has taken a guarantee cover under CGFMU, covering ~92% of the microfinance portfolio as of March 2026, mitigating the credit risk to a certain extent.

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 improving earnings profile.

ICRA has reaffirmed and simultaneously withdrawn the rating assigned to the Rs. 68.87-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 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 19% till FY2026) and reported an AUM of Rs. 11,535 crore as on March 31, 2026 (Rs. 11,034 crore as on March 31, 2025). As on March 31, 2026, it had a presence in 464 districts across 22 states through a network of 1,757 branches while catering to more than 28.5 lakh borrowers. Apart from microfinance, the company has gradually diversified its product offerings with loans to micro, small and medium enterprises (MSMEs), vehicle financing, individual business loans, etc., which together comprised 24% of the AUM as on March 31, 2026 (19% as on March 31, 2025). ICRA expects it to continue scaling up its portfolio by 15-20% over the near-to-medium term with gradual portfolio diversification.

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 of bank loans (35%), subordinated debt (9%), loans from FIs/NBFCs (3%), external commercial borrowings (ECBs; 16%), NCDs (6%), and direct assignment (DA; 31%) as on March 31, 2026. AFPL raised Rs. 4,478 crore of on-book borrowings in FY2026 (Rs. 4,248 crore in FY2025) and continues to maintain a healthy pipeline of funds to support its growth plans.

Credit challenges

Subdued asset quality and earnings profile; coverage under guarantee scheme mitigates risk to an extent– While reported gross NPAs stood at 2.9% as on March 31, 2026 (2.7% as on March 31, 2025), aided by write-offs of Rs. 208 crore in FY2026 (Rs. 235 crore in FY2025), the company was holding security receipts against NPAs sold to ARCs. It sold stressed loans amounting to ~Rs. 273 crore (~3% of on-book portfolio as of March 2026; Rs. 187 crore sold in FY2025), to an ARC. AFPL held gross SRs amounting to ~Rs. 455 crore as on March 31, 2026, against which the company held a provision of Rs. 316 crore. The net stressed assets (net NPAs, net SRs and standard restructured portfolio) increased to 2.5% as on March 31, 2026 from 2.2% as on March 31, 2025. The industry, including AFPL, faced significant asset quality challenges during FY2025 and FY2026 stemming from various factors including borrower over-leveraging, sociopolitical disruptions and operational challenges. ICRA notes that the company's collection efficiency is gradually improving. Further, it has taken a guarantee cover under CGFMU, covering ~92% of the microfinance portfolio as of March 2026, mitigating the credit risk to a certain extent. Nevertheless, its ability to arrest further slippages and recover from delinquent customers remains important.

In view of the asset quality challenges in the industry and lending guardrails adopted by the industry, the company's AUM growth moderated, thereby impacting its operating efficiency and earnings. While credit costs remained under control at 1.8%

of AMA in FY2026 (3.2% in FY2025), the operating efficiency remained subdued with operating expenses at 7.2% of AMA in FY2026 compared to 7.1% in FY2025. This was partially on account of coverage under CGFMU and corresponding fee being paid for the guarantee cover. The company reported a profit of ~Rs. 36 crore in FY2026, with its return on average managed assets (RoMA) and return on average net worth declining to 0.3% and 1.9%, respectively (from 0.6% and 3.9%, respectively, in FY2025). With growth likely to pick up, ICRA expects a steady improvement in the earnings profile, backed by the anticipated enhancement in operating efficiency and moderation in credit costs.

Elevated gearing level – The company's capital adequacy ratio of 28.1% as on March 31, 2026 (29.6% as on March 31, 2025) was well above the regulatory requirement of 15%. However, the managed gearing remained elevated at 6.0 times (reported gearing at 4.0 times) as on March 31, 2026 (managed gearing at 5.7 times and reported gearing at 3.8 times as on March 31, 2025). ICRA takes note of the company's equity raising plans, which shall aid the maintenance of a prudent capitalisation profile while supporting its growth plans.

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 sociopolitical, 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, 2026, the company held free cash and bank balance and liquid investments of Rs. 904 crore. This, along with the scheduled inflow from advances (excluding interest) of Rs. 4,613 crore, is adequate to meet the scheduled debt repayments (excluding interest) of Rs. 3,270 crore from April 01, 2026 to March 31, 2027 in a timely manner. As per the asset-liability management (ALM) profile as on March 31, 2027, 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 FY2026, the company was in breach of covenants pertaining to five debt-funding agreements amounting to Rs. 297 crore of the borrowings outstanding as on March 31, 2026. ICRA notes that AFPL has received the requisite waivers for all five 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 RoMA of more than 2.0%, while maintaining prudent 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. Weakening of the capitalisation profile with managed gearing remaining above 6 times on a sustained basis or a stretched liquidity position could also negatively impact the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Non-banking Finance Companies (NBFCs) ICRA's 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 formed by People's Forum, a society registered in Odisha. People's Forum has been engaged in various socioeconomic development programmes, including microfinance, since 1990. In November 2009, People's Forum 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 borrowers using the group lending model. It also offers other products such as individual loans to provide financial assistance to the MSME segment, home and home improvement loans, consumer durable loans, etc. As on March 31, 2026, AFPL was catering to more than 28 lakh borrowers through a network of 1,757 branches spread across 464 districts in 22 states, while managing a portfolio of Rs. 11,535 crore.

Key financial indicators (audited)

Annapurna Finance Private Limited (standalone)	FY2024	FY2025	FY2026
Accounting as per	Ind-AS	Ind-AS	Ind-AS
Total income	2,074	2,201	2,058
Profit after tax	232	69	36
Net worth (including CCD & CCPS)	1,750	1,810	1,859
Total managed assets	11,943	12,588	13,674
Return on average managed assets	2.0%	0.6%	0.3%
Managed gearing (times)	5.5	5.7	6.0
Gross NPA	2.9%	2.7%	2.9%
Capital/Risk-weighted assets	25.5%	29.6%	28.1%

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: None

Rating history for past three years

Instrument	Current (FY2027)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	July 15, 2026	FY2026		FY2025		FY2024	
				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)
				July 16, 2025	[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	93.00	[ICRA]A- (Stable)	May 07, 2025	[ICRA]A- (Stable)				
				July 16, 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)		
				July 16, 2025	[ICRA]A- (Stable)				
Non-convertible debentures	Long term	68.87	[ICRA]A- (Stable); withdrawn	July 16, 2025	[ICRA]A- (Stable)				
Non-convertible debentures	Long term	171.45	[ICRA]A- (Stable)	May 07, 2025	[ICRA]A- (Stable)	May-14-2024	[ICRA]A- (Stable)	Jul-20-2023	[ICRA]A- (Stable)
				July 16, 2025	[ICRA]A- (Stable)	Sep-27-2024	[ICRA]A- (Stable)	Aug-22-2023	[ICRA]A- (Stable)
						Mar-28-2025	[ICRA]A- (Stable)	Sep-28-2023	[ICRA]A- (Stable)
								Nov-7-2023	[ICRA]A- (Stable)
								Dec-4-2023	[ICRA]A- (Stable)

Instrument	Current (FY2027)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	July 15, 2026	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
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)
				July 16, 2025	[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)
				July 16, 2025	[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	96.18	[ICRA]A- (Stable)	May 07, 2025	[ICRA]A- (Stable)	May-14-2024	[ICRA]A- (Stable)	Aug-22-2023	[ICRA]A- (Stable)
				July 16, 2025	[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)
				July 16, 2025	[ICRA]A- (Stable)	Sep-27-2024	[ICRA]A- (Stable)		
						Dec-19-2024	[ICRA]A- (Stable)		

Instrument	Current (FY2027)			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
	Type	Amount rated (Rs. crore)	July 15, 2026	Date	Rating	Date	Rating	Date	Rating
						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	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

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook	Financial Sector Regulator#
NA	**Long-term bank facilities – Fund-based**	Aug-01-2022 to Mar-25-2026	NA	Sep-14-2024 to Feb-08-2029	1,600.00	[ICRA]A- (Stable)	RBI
INE515Q07574	**NCD**	Jul-20-2022	10.85%	Jul-29-2025	22.00	[ICRA]A- (Stable); withdrawn	SEBI
INE515Q07608	**NCD**	Nov-03-2022	10.90%	Nov-04-2027	46.87	[ICRA]A- (Stable); withdrawn	SEBI
INE515Q07624	**NCD**	Nov-02-2023	12.00%	Nov-02-2029	53.82	[ICRA]A- (Stable)	MCA
INE515Q07632	**NCD**	Dec-24-2024	11.25%	Dec-15-2029	42.00	[ICRA]A- (Stable)	SEBI
INE515Q07640	**NCD**	Jul-22-2025	10.95%	Jul-22-2027	75.00	[ICRA]A- (Stable)	SEBI
To be issued	**NCD**	-	-	-	0.63	[ICRA]A- (Stable)	SEBI
INE515Q08259	**OCD**	May-07-2024	14.00%	May-07-2030	300.00^	[ICRA]A- (Stable)	MCA
INE515Q08218	**Sub-debt**	Mar-29-2023	13.10%	Aug-29-2028	20.00	[ICRA]A- (Stable)	SEBI
INE515Q08226	**Sub-debt**	Jul-31-2023	12.40%	Apr-24-2029	60.00	[ICRA]A- (Stable)	SEBI
INE515Q08226	**Sub-debt**	Aug-23-2023	12.40%	Apr-24-2029	60.00	[ICRA]A- (Stable)	SEBI
INE515Q08242	**Sub-debt**	Dec-12-2023	12.25%	Sep-07-2029	100.00	[ICRA]A- (Stable)	SEBI
INE515Q08275	**Sub-debt**	May-14-2025	11.75%	May-14-2031	100.00	[ICRA]A- (Stable)	SEBI
To be issued	**Sub-debt**	-	-	-	0.18	[ICRA]A- (Stable)	SEBI

Source: Company; ^ Put/Call option available on June 07, 2029

#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.

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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