July 31, 2026

Arohan Financial Services Limited: Rating confirmed as final for PTCs backed by microfinance loan receivables issued by Lagertha 2026

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action	Financial sector regulator#
Lagertha 2026	Series A1a PTC	67.39	[ICRA]AAA(SO); provisional rating confirmed as final	RBI
	Series A1b PTC	44.93	[ICRA]A+(SO); provisional rating confirmed as final	RBI

**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

In March 2026, ICRA had assigned provisional rating to Pass-Through Certificates (PTCs) issued by Lagertha 2026 under a securitisation transaction originated by Arohan Financial Services Limited {Arohan/Originator; rated [ICRA]A (Stable)[1]}. The PTCs are backed by a pool of microfinance loan receivables originated by Arohan with an aggregate principal outstanding of Rs. 124.81 crore (pool receivables of Rs. 151.07 crore). Arohan is also the servicer of the rated transaction.

Further 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	Lagertha 2026
Payout month	June 2026
Months post securitisation	3
Pool amortisation	14.99%
Series A1a PTC amortisation	27.16%
Series A1b PTC amortisation	0.00%
Cumulative prepayment rate[2]	0.66%
Cumulative collection efficiency[3]	98.06%
Loss cum 0+ dpd[4]	0.04%
Loss cum 30+ dpd[5]	0.01%
Loss cum 90+ dpd[6]	0.00%
Cumulative cash collateral utilisation	0.00%

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

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[1] *The current rating rationale of the originator, available at this link, provides its detailed rating history and rating transitions.*
[2] *Principal outstanding at the time of prepayment of contracts prepaid till date / Principal outstanding on the pool at the time of securitisation*
[3] *Cumulative collections (incl. advances but excl. prepayments)/ (Cumulative billings + Opening overdue at the time of securitisation)*
[4] *Principal outstanding on contracts aged 0+ dpd / Principal outstanding on the pool at the time of securitisation*
[5] *Principal outstanding on contracts aged 30+ dpd / Principal outstanding on the pool at the time of securitisation*
[6] *Principal outstanding on contracts aged 90+ dpd / Principal outstanding on the pool at the time of securitisation*

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, 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 final rating for the instrument.

Details of key counterparties

The key counterparties in the rated transactions are as follows:

Transaction Name	Lagertha 2026
Originator	Arohan Financial Services Limited
Servicer	Arohan Financial Services Limited
Trustee	Mitcon Credentia Trusteeship Services Limited
CC Bank	DCB Bank Limited
Collection and payout account bank	ICICI Bank

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 A1a 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 A1b 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 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 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 March 31, 2026, it was managing assets under management (AUM) of ~Rs. 7,426 crore.

Key financial indicators

Arohan Financial Services Limited	FY2024	FY2025	FY2026
As per	**Ind-AS**	**Ind-AS**	**Ind-AS**
Total income	1,635	1,695	1,552
Profit after tax	314	110	122
Total managed assets (grossed up for provisions)	8,654	7,228	8,639
Gross stage 3 assets	1.7%	2.8%	1.1%
CRAR	29.0%	34.1%	27.6%

Managed gearing = (On-book borrowings + Securitised/assigned loan assets)/(Net worth)
Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

<table>
<tr><th rowspan="3">Trust Name</th><th colspan="5">Current Rating (FY2027)</th><th colspan="3">Chronology of Rating History for the Past 3 Years</th></tr>
<tr><th rowspan="2">Instrument</th><th rowspan="2">Initial Rated Amount (Rs. crore)</th><th rowspan="2">Current Rated Amount (Rs. crore)</th><th colspan="2">Date & Rating in FY2027</th><th>Date & Rating in FY2026</th><th>Date & Rating in FY2025</th><th>Date & Rating in FY2024</th></tr>
<tr><th>July 31, 2026</th><th>April 02, 2026</th><th>-</th><th>-</th><th>-</th></tr>
<tr><td rowspan="2">Lagertha 2026</td><td>Series A1a PTC</td><td>67.39</td><td>67.39</td><td>[ICRA]AAA(SO)</td><td>Provisional [ICRA]AAA(SO)</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Series A1b PTC</td><td>44.93</td><td>44.93</td><td>[ICRA]A+(SO)</td><td>Provisional [ICRA]A+(SO)</td><td>-</td><td>-</td><td>-</td></tr>
</table>

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 Type	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Current Amount Rated (Rs. crore)	Current Rating	Financial Sector Regulator#
Lagertha 2026	Series A1a PTC	March 30, 2026	8.55%	May 26, 2028	67.39	[ICRA]AAA(SO)	RBI
	Series A1b PTC	March 30, 2026	10.40%	May 26, 2028	44.93	[ICRA]A+(SO)	RBI

Source: Company

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Annexure II: 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.

For more information, visit www.icra.in

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