August 28, 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 surveillance (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Haven 2025	PTC Series A1	39.98	NA	10.60	[ICRA]A+(SO); upgraded from [ICRA]A-(SO)	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

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 July 2026 payout month.

Pool performance summary

Parameter	Haven 2025
Payout month	July 2026
Months post securitisation	12
Pool amortisation	66.13%
PTC amortisation	73.48%
Cumulative prepayment rate	5.81%
Cumulative collection efficiency	97.29%
Loss-cum-30+ days past due (dpd[1]; % of initial pool)	3.60%
Loss-cum-90+ dpd[2] (% of initial pool)	2.11%
Cumulative cash collateral utilisation	0.00%
Breakeven collection efficiency (BECC)[3]	51.39%
CC available (as % of balance pool principal)	14.96%
Principal subordination (% of balance pool)	29.53%
Excess interest spread (EIS[4]; % of balance pool)	9.72%

[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*

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.

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 15.0% of the balance pool principal from 5.0% at the time of securitisation. Credit support is also available through subordination of 29.5% for PTC Series A1 and excess interest spread (EIS) of 9.7% 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 92% in all months post securitisation and cumulative collection efficiency of 97.3% as on July 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	Haven 2025
Originator	Arman Financial Services Limited
Servicer	Arman Financial Services Limited

Transaction Name	Haven 2025
Trustee	Mitcon Credentia Trusteeship Services Limited
CC holding Bank	Ujjivan Small Finance Bank Limited
Collection and payout account Bank	ICICI Bank

Liquidity position: Superior

The liquidity for PTC Series A1 is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~7.25 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 (Arman) could also exert pressure on the rating.

Analytical approach

The rating action is based on the performance of the pool till July 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	FY2026
Standalone	**Audited**	**Audited**	**Audited**
Total income	133.5	185.3	217.2
Profit after tax	37.9	43.2	40.6
Assets under management	315.3	446.2	729.9
Gross NPA	2.6%	2.6%	3.5%
CRAR	32.6%	62.7%	27.8%

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
					August 28, 2026	August 20, 2025	July 07, 2025		-
1	**Haven 2025**	PTC Series A1	39.98	10.60	**[ICRA]A+(SO)**	**[ICRA]A-(SO)**	**Provisional [ICRA]A-(SO)**		-

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 I: Instrument details

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Amount Rated (Rs. crore)	Current Rating	Financial Sector Regulator#
Haven 2025	PTC Series A1	June 30, 2025	11.25%	March 24, 2027	10.60	[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.

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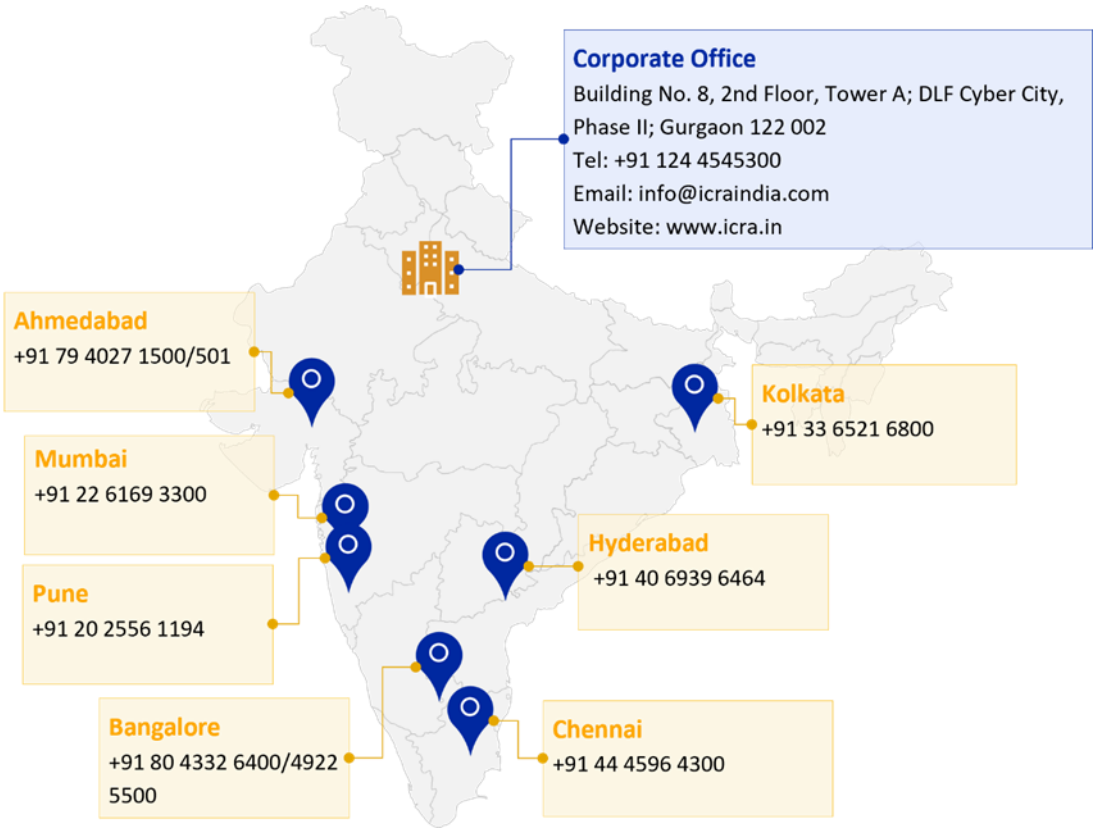

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