

February 04, 2025

Arohan Financial Services Limited: Update on material event

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-convertible debentures [^]	60.00	60.00	[ICRA]A (Stable); downgraded to [ICRA]D and simultaneously upgraded to [ICRA]A (Stable)
Non-convertible debentures	265.00	265.00	[ICRA]A (Stable); outstanding
Long-term bank facilities – Fund based	5,603.07	5,603.07	[ICRA]A (Stable); outstanding
Subordinated debt	75.00	75.00	[ICRA]A (Stable); outstanding
Total	6,003.07	6,003.07	

*Instrument details are provided in Annexure I; [^] ISINs – INE808K08061 and INE808K08053

Rationale

The rating downgrade to [ICRA]D of the NCD programmes (ISINs – INE808K08061 and INE808K08053) of Arohan Financial Services Limited (Arohan) considers the delay in the transfer of the unpaid monthly interest pertaining to six debenture holders, amounting to Rs. 44,609 for December 2024 and due on December 31, 2024. The above-mentioned monthly interest could not be remitted to the beneficiaries owing to the absence of correct account details of these debenture holders. ICRA notes that the said amount was credited to a separate escrow account on January 31, 2025, in accordance with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015. However, the same was not compliant with the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-3/P/CIR/2024/160 dated November 18, 2024, requiring the unpaid interest amount to be duly credited into a separate escrow account on the due date of payment. ICRA notes that this event does not reflect the lack of ability or willingness on the part of Arohan to service its debt obligations. It is also not indicative of its risk profile or liquidity position as the liquidity available as on December 31, 2024 was Rs. 1,077 crore. Thus, the rating for these ISINs has been simultaneously upgraded to [ICRA]A (Stable), in line with ICRA's policy on default recognition.

Further, vide stock exchange disclosures dated January 31, 2025, Arohan disclosed that the interest payment to five debenture holders, w.r.t. ISINs INE808K08061 and INE808K08053, totalling Rs. 38,478 and due on January 31, 2025, could not be remitted owing to the incorrect account details of the beneficiaries. Although the company had processed the payment to the debenture holders one day before the due date, the same could not be made due to incorrect account details of the beneficiaries. Arohan had transferred the unpaid amount to a separate escrow account on the due date, i.e. January 31, 2025, for payment to the debenture holders in compliance with the above-mentioned SEBI circular of November 18, 2024. The non-payment of interest was beyond Arohan's control and does not reflect its lack of ability or willingness to service its debt obligations. The liquidity available, as on January 31, 2025, was Rs. 935 crore.

The company's rating for the other instruments continues to remain at [ICRA]A (Stable).

The table below includes the details of the instruments concerned:

Name of security	ISIN	Total amount to be paid (Rs. lakh)	Due date of payment	Amount of payment made (Rs. lakh)	Amount of payment failed (Rs. lakh)	Reasons for failure of payment	Date when the amount corresponding to the failed payment was transferred to a separate escrow account
NCD	INE808K08061 INE808K08053	66.49	Dec 31, 2024	66.04	0.45	Incorrect account numbers and IFSC code	Jan 31, 2025 [#]
NCD	INE808K08061 INE808K08053	66.67	Jan 31, 2025	66.29	0.38	Incorrect account numbers and IFSC code	Jan 31, 2025 [*]

[#] As per Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015, amount of Rs. 0.45 lakh has been deposited in an escrow account designated for coupon payments

^{*} As per the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-3/P/CIR/2024/160 dated November 18, 2024, amount of Rs. 0.38 lakh has been deposited in an escrow account designated for coupon payments

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position, and rating sensitivities: [Click here](#)

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Rating methodology for non-banking finance companies Policy on default recognition
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

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, 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 September 30, 2024, it was operating through a network of 1,082 branches spread across 316 districts and 17 states while managing assets under management (AUM) of Rs. 7,000 crore (limited review).

Key financial indicators

Arohan Financial Services Limited	FY2023	FY2024	H1 FY2025
As per	Ind-AS	Ind-AS	Ind-AS
Total income	1,091	1,635	936
Profit after tax	71	314	149
Total managed assets (grossed up for provisions)	6,635	8,654	8,611
Return on average managed assets	1.1%	4.1%	3.4%
Managed gearing (times)	3.6	3.3	3.0

Arohan Financial Services Limited	FY2023	FY2024	H1 FY2025
As per	Ind-AS	Ind-AS	Ind-AS
Gross stage 3 assets	2.7%	1.7%	1.5%
CRAR	28.7%	29.0%	30.2%

Managed gearing = (On-book borrowings + Securitised/Assigned loan assets)/(Net worth)

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

Instrument	Current (FY2025)					Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Feb 4, 2025	Date	Rating	FY2024		FY2023		FY2022	
						Date	Rating	Date	Rating	Date	Rating
Long-term bank facilities – Fund based	Long term	5,603.07	[ICRA]A (Stable)	May 20, 2024	[ICRA]A (Stable)	Aug 14, 2023	[ICRA]A-(Positive)	Apr 06, 2022	[ICRA]A-(Negative)	Jul 20, 2021	[ICRA]A-(Negative)
				Oct 25, 2024	[ICRA]A; Rating Watch with Negative Implications	Nov 9, 2023	[ICRA]A-(Positive)	Jun 21, 2022	[ICRA]A-(Negative)	Oct 05, 2021	[ICRA]A-(Negative)
				Nov 11, 2024	[ICRA]A; Rating Watch with Negative Implications	Jan 10, 2024	[ICRA]A (Stable)	Jul 01, 2022	[ICRA]A-(Negative)	Mar 25, 2022	[ICRA]A-(Negative)
				Jan 14, 2025	[ICRA]A (Stable)	-	-	Jul 14, 2022	[ICRA]A-(Negative)	-	-
				-	-	-	-	Sep 21, 2022	[ICRA]A-(Negative)	-	-
				-	-	-	-	Dec 26, 2022	[ICRA]A-(Stable)	-	-
NCDS	Long term	265.00	[ICRA]A (Stable)	May 20, 2024	[ICRA]A (Stable)	Aug 14, 2023	[ICRA]A-(Positive)	Apr 06, 2022	[ICRA]A-(Negative)	Jul 20, 2021	[ICRA]A-(Negative)

Instrument	Current (FY2025)					Chronology of rating history for the past 3 years					
	FY2025					FY2024		FY2023		FY2022	
	Type	Amount rated (Rs. crore)	Feb 4, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
				Oct 25, 2024	[ICRA]A; Rating Watch with Negative Implications	Nov 9, 2023	[ICRA]A-(Positive)	Jun 21, 2022	[ICRA]A-(Negative)	Oct 05, 2021	[ICRA]A-(Negative)
				Nov 11, 2024	[ICRA]A; Rating Watch with Negative Implications	Jan 10, 2024	[ICRA]A (Stable)	Jul 01, 2022	[ICRA]A-(Negative)	Mar 25, 2022	[ICRA]A-(Negative)
				Jan 14, 2025	[ICRA]A (Stable)	-	-	Jul 14, 2022	[ICRA]A-(Negative)	-	-
				-	-	-	-	Sep 21, 2022	[ICRA]A-(Negative)	-	-
				-	-	-	-	Dec 26, 2022	[ICRA]A-(Stable)	-	-
NCDs	Long term	60.00	[ICRA]A (Stable); downgraded to [ICRA]D and simultaneously upgraded to [ICRA]A (Stable)	May 20, 2024	[ICRA]A (Stable)	Aug 14, 2023	[ICRA]A-(Positive)	Apr 06, 2022	[ICRA]A-(Negative)	Jul 20, 2021	[ICRA]A-(Negative)
				Oct 25, 2024	[ICRA]A; Rating Watch with Negative Implications	Nov 9, 2023	[ICRA]A-(Positive)	Jun 21, 2022	[ICRA]A-(Negative)	Oct 05, 2021	[ICRA]A-(Negative)

Instrument	Current (FY2025)					Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	FY2025			FY2024		FY2023		FY2022	
			Feb 4, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
				Nov 11, 2024	[ICRA]A; Rating Watch with Negative Implications	Jan 10, 2024	[ICRA]A (Stable)	Jul 01, 2022	[ICRA]A-(Negative)	Mar 25, 2022	[ICRA]A-(Negative)
				Jan 14, 2025	[ICRA]A (Stable)	-	-	Jul 14, 2022	[ICRA]A-(Negative)	-	-
				-	-	-	-	Sep 21, 2022	[ICRA]A-(Negative)	-	-
				-	-	-	-	Dec 26, 2022	[ICRA]A-(Stable)	-	-
NCDs	Long term	-	-	May 20, 2024	[ICRA]A (Stable)	Aug 14, 2023	[ICRA]A-(Positive)	Apr 06, 2022	[ICRA]A-(Negative)	Jul 20, 2021	[ICRA]A-(Negative)
				Oct 25, 2024	[ICRA]A; Rating Watch with Negative Implications	Nov 9, 2023	[ICRA]A-(Positive)	Jun 21, 2022	[ICRA]A-(Negative)	Oct 05, 2021	[ICRA]A-(Negative)
				Nov 11, 2024	[ICRA]A; Rating Watch with Negative Implications	Jan 10, 2024	[ICRA]A (Stable)	Jul 01, 2022	[ICRA]A-(Negative)	Mar 25, 2022	[ICRA]A-(Negative)
				-	-	-	-	Jul 14, 2022	[ICRA]A-(Negative)	-	-

Instrument	Current (FY2025)					Chronology of rating history for the past 3 years					
	FY2025					FY2024		FY2023		FY2022	
	Type	Amount rated (Rs. crore)	Feb 4, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
				-	-	-	-	Sep 21, 2022	[ICRA]A-(Negative)	-	-
				-	-	-	-	Dec 26, 2022	[ICRA]A-(Stable)	-	-
Subordinated debt	Long term	75.00	[ICRA]A (Stable)	May 20, 2024	[ICRA]A (Stable)	Aug 14, 2023	[ICRA]A-(Positive)	Sep 21, 2022	[ICRA]A-(Negative)	-	-
				Oct 25, 2024	[ICRA]A; Rating Watch with Negative Implications	Nov 9, 2023	[ICRA]A-(Positive)	Dec 26, 2022	[ICRA]A-(Stable)	-	-
				Nov 11, 2024	[ICRA]A; Rating Watch with Negative Implications	Jan 10, 2024	[ICRA]A (Stable)	-	-	-	-
				Jan 14, 2025	[ICRA]A (Stable)						

Source: Company

Complexity level of the rated instruments

Instrument	Complexity indicator
Subordinated debt	Simple
NCD	Simple
Long-term bank facilities – Fund based	Simple

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/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
INE808K08079	NCD	Mar-31-2022	13.65%	Jun-30-2027	200	[ICRA]A (Stable)
INE808K08061	NCD	Oct-25-2019	12.85%	Oct-25-2026	25	[ICRA]A (Stable)
INE808K08046	NCD	Mar-29-2018	13.25%	Apr-28-2025	65	[ICRA]A (Stable)
INE808K08053	NCD	Aug-14-2018	13.25%	Sep-30-2025	35	[ICRA]A (Stable)
NA	Long-term bank facilities – Fund based	Jun-08-2018 to Apr-02-2024	5.15-11.75%	Jul-10-2023 to Apr-30-2027	5,603.07	[ICRA]A (Stable)
NA	Subordinated debt (term loan)	Mar-07-2018	13.50%	Apr-01-2025	50	[ICRA]A (Stable)
NA	Subordinated debt (term loan)	Mar-30-2021	14.25%	Jun-04-2027	25	[ICRA]A (Stable)

Source: Company

[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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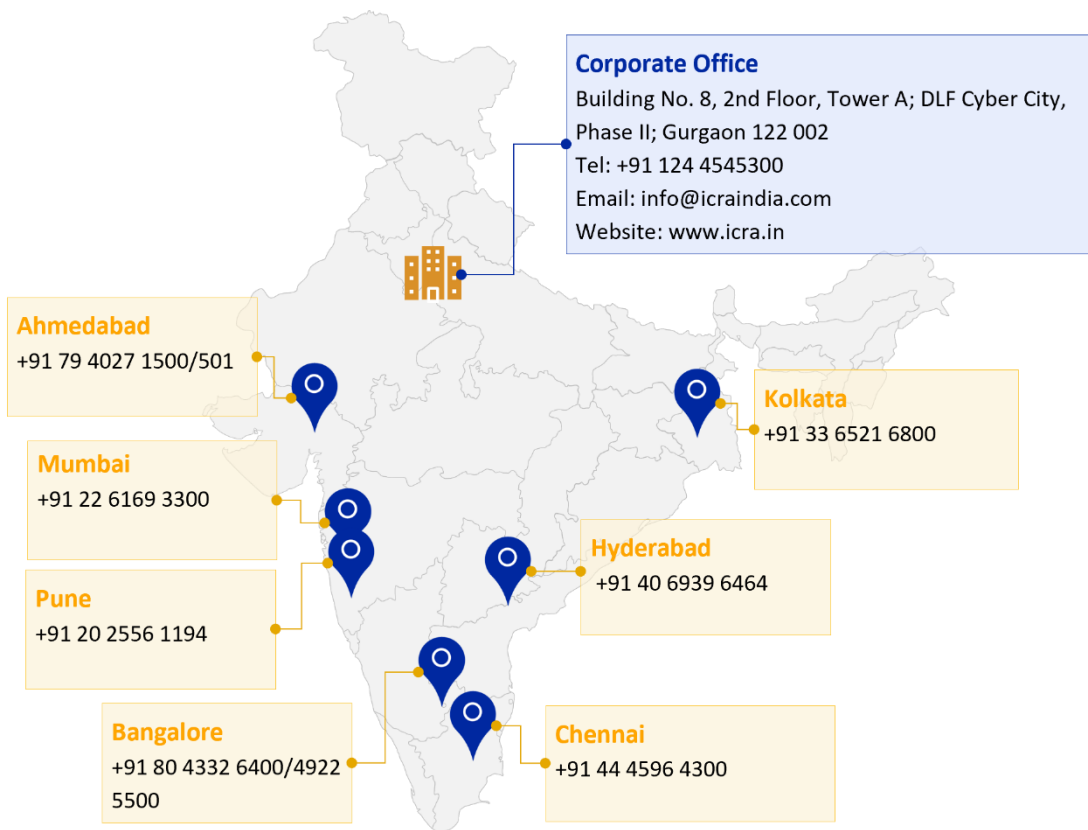
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