

**Date: January 10, 2024**

**To,**

**Listing Department,**

**BSE Limited**

Phiroze Jeejeebhoy Towers,

Dalal Street,

Mumbai-400001

Dear Sir/Madam,

**Sub: Intimation under Regulation 51 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Part B of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

With reference to captioned subject, we wish to inform you that, ICRA Ltd. (**'Rating Agency'**), has upgraded the credit rating to [ICRA] A for the Company's Bank facilities, Non-Convertible Debenture (NCD), and Subordinated debts and has changed the Outlook to **'Stable'** for all the above mentioned instruments. Further, description of the aforementioned changes is disclosed in the rationale enclosed.

This is for your kind information and records.

Thanking you,

Yours faithfully,

**For Arohan Financial Services Limited**

ANIRUDH  
SINGH G  
THAKUR

Digitally signed by  
ANIRUDH SINGH G THAKUR  
Date: 2024.01.10 17:55:29  
+05'30'

**Anirudh Singh G Thakur**  
**Company Secretary & Chief Compliance Officer**  
**Membership No: A13210**  
**Encl: As above**



January 10, 2024

## Arohan Financial Services Limited: Ratings upgraded; outlook revised to Stable; Ratings simultaneously withdrawn for Rs. 50-crore NCD and Rs. 25-crore subordinated debt

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term bank facilities – Fund based	5,271.88	4,603.07	[ICRA]A (Stable); upgraded, outlook revised to Stable and rated limits reduced
Non-convertible debentures	505.00	505.00	[ICRA]A (Stable); upgraded and outlook revised to Stable
Non-convertible debentures	50.00	-	[ICRA]A (Stable); upgraded and outlook revised to Stable and withdrawn
Subordinated debt	75.00	75.00	[ICRA]A (Stable); upgraded and outlook revised to Stable
Subordinated debt	25.00	-	[ICRA]A (Stable); upgraded and outlook revised to Stable and withdrawn
Long-term bank facilities – Fund-based term loan	25.00	4.53	[ICRA]AA-(CE) (Stable); upgraded, outlook revised to Stable and rated limits reduced*
<b>Total</b>	<b>5,951.88</b>	<b>5,187.60</b>	

\*Instrument details are provided in Annexure I

Rating without explicit credit enhancement	[ICRA]A
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Note: The (CE) suffix mentioned alongside the [ICRA]AA- rating symbol indicates that the rated instrument/facility is to be backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The above table also captures ICRA's opinion on the rating without factoring in the proposed explicit credit enhancement

### Rationale

#### For the [ICRA]A (Stable) rating

The rating action factors in the improvement in Arohan Financial Services Limited's (Arohan) profitability and asset quality profile, while its scale of operations expanded at a healthy pace in FY2023 and H1 FY2024. Arohan's gross monitorable book, which includes the standard restructured book of Rs. 29 crore, security receipts (SRs) of Rs. 162 crore and gross non-performing assets (GNPAs) of Rs. 76 crore as on September 30, 2023, declined to 4.6% of the on-book portfolio (including SRs) as on September 30, 2023 from 32.1% as on March 31, 2022. As the company carries sizeable provisions, its net monitorable book stood at 2.7% of the net portfolio (including net SRs) as on September 30, 2023 compared to 19.8% as on March 31, 2022. With the decrease in credit costs and the increase in the share of the portfolio generated at higher lending rates, after the revised regulations became applicable, the profitability indicators improved in H1 FY2024. The return on managed assets (RoMA) improved to 3.7% in H1 FY2024 from 1.1% in FY2023 (1.0% in FY2022).

The rating also takes into consideration Arohan's established track record of operations in microfinance, its comfortable capitalisation profile and diversified funding profile. This has helped the company grow its assets under management (AUM) by 25% (annualised) in H1 FY2024 to Rs. 6,023 crore as on September 30, 2023 from Rs. 5,357 crore as on March 31, 2023. ICRA notes that the company raised Rs. 248 crore and Rs. 266 crore in FY2023 and Q1 FY2024, respectively, in the form of compulsory convertible preference shares (CCPS). This has bolstered its capitalisation profile, making it well capitalised to

absorb future losses, if any, and support its growth plans. As a result, the gearing (managed)<sup>1</sup> declined to 3.2 times as on June 30, 2023 from 3.6 times as on March 31, 2023 (4.1 times as on March 31, 2022).

The rating, however, remains constrained by the high geographical concentration with the top 3 states, namely West Bengal, Bihar and Uttar Pradesh, constituting 68% of the microfinance portfolio as on September 30, 2023 (65% as on March 31, 2023; 64% as on March 31, 2022). The rating also factors 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 associated with microlending, which may lead to volatility in the asset quality indicators.

The Stable outlook reflects ICRA's opinion that the company would be able to maintain a steady credit profile, while expanding its scale of operations, maintaining healthy profitability and improving its asset quality further.

ICRA has upgraded, revised the outlook to Stable and simultaneously withdrawn the rating for the Rs. 50-crore non-convertible debenture (NCD) programme and Rs. 25-crore subordinated debt programme as they have been repaid by the company and no amount is outstanding against the same. The rating has been withdrawn in accordance with ICRA's policy on the withdrawal of credit ratings.

#### For the [ICRA]AA-(CE) (Stable) rating

The rating is based on the strength of an unconditional and irrevocable guarantee provided by Northern Arc Capital Limited (NACL/guarantor; rated [ICRA]AA- (Stable)/[ICRA]A1+). The partial credit guarantee (PCG/guarantee) of Rs. 6.92 crore (27.69% of initial facility amount) guarantees the repayment of the principal and interest of six months. The rating action takes into account the fact that the PCG now covers the entire future loan amount due to the amortisation of the facility.

#### Adequacy of credit enhancement

The rating of the instrument is based on the credit substitution approach, whereby the rating of the guarantor has been translated to the rating of the said facility. The guarantee is legally enforceable, irrevocable, unconditional, and has a well-defined invocation and payment mechanism. The guarantee is 27.69% of the initial loan amount, guarantees the repayment of the principal and the payment of the interest amount in relation to the facility for six months. However, due to the amortisation of the facility, the guarantee now covers the entire future loan amount. NACL has waived off all the suretyship rights available under the Indian Contract Act, 1872. However, the credit enhancement provided in the guarantee shall cease to be available to the lender if any modification is done to the terms of the facility, without NACL's prior approval, which adversely impacts its obligations.

Given these attributes, the guarantee provided by NACL is adequately strong to result in an enhancement in the rating of the said instrument to [ICRA]AA-(CE) against the rating of [ICRA]A without explicit credit enhancement. Any change in the rating of the guarantor would reflect in the rating of the aforesaid facility as well.

#### Salient covenants of the rated facility

- The tenure of the facility is 24 months with equated monthly interest and principal repayment.
- The guaranteed amount shall remain stable in absolute terms till it is reset. It can be reduced, subject to the confirmation/affirmation of the rating agency.
- In addition to the partial guarantee, Arohan will maintain a pool of loan receivables, which would be at least 1.10 times the outstanding amount of the facility. In case of a downgrade in Arohan's senior secured long-term rating to below BBB+, non-maintenance of security cover, non-payment by Arohan, and cross default of Arohan, it shall make equal weekly repayments and shall transfer the collections from the hypothecated property to the Collection and Payment Account on a weekly basis.
- The security cover shall be met only with receivables that do not have any principal, interest, additional interest, fee or any other expected payments overdue. For this purpose, Arohan shall, with the consent of the lender, replace any receivables constituting the hypothecated property that has one or more instalments of principal, interest, additional

<sup>1</sup> Gearing (managed) = (On-book borrowings + Securitised/assigned loan assets)/(Net worth)

interest, fee or any other expected payments overdue for more than 90 (ninety) days with performing loans that meet the eligibility criteria. Such replacement shall be done on or before the 15th of any calendar month.

- Arohan shall report/file such list of assets, comprising the hypothecated assets, with the concerned Registrar of Companies (ROC) and the Central Registry of Securitisation Asset Reconstruction and Security Interest of India in relation thereto, as soon as practicable and no later than 30 (thirty) days.
- In case of a downgrade in Arohan's senior secured long-term rating to below BBB+, it will ensure that the percentage of the outstanding principal value of the portfolio at risk (PAR) > 0 loans in the hypothecated property does not exceed 10% of the outstanding principal value of the hypothecated property.

## Key rating drivers and their description

### Credit strengths

**Established track record of operations** – Arohan is one of the largest non-banking financial company-microfinance institutions (NBFC-MFIs) in India by AUM. It has an established track record of around 18 years in the microfinance space. It reported an annualised growth of 25% in H1 FY2024 with the AUM standing at Rs. 6,023 crore as on September 30, 2023 (Rs. 5,357 crore as on March 31, 2023, up 30%). As on September 30, 2023, the company had a presence in 281 districts across 15 states through a network of 939 branches, while catering to 21.2 lakh borrowers.

**Healthy profitability** – Arohan's profitability was impacted from FY2021 to FY2023 by the Covid-19 pandemic, primarily on account of the elevated credit costs arising from the weakening in the asset quality. However, with the gradual improvement in collections, write-offs and sale to an asset reconstruction company (ARC), the gross NPAs reduced to 1.3% as on September 30, 2023 (2.7% as on March 31, 2023 and 4.5% as on March 31, 2022). Arohan's gross monitorable book stood at 4.6% of the on-book portfolio (including SRs) as on September 30, 2023 compared to 32.1% as on March 31, 2022. Further, given the healthy provisions maintained by the company, its net monitorable book stood at 2.7% of the net portfolio (including net SRs) as on September 30, 2023 compared to 19.8% as on March 31, 2022. Given the lower credit costs and the higher disbursements with better yields, the company's overall profitability profile improved in H1 FY2024. It reported a net profit of Rs. 130 crore in H1 FY2024 compared to Rs. 71 crore in FY2023, which translates into RoMA of 3.7% for H1 FY2024 (1.1% for FY2023) and a return on net worth (RoNW) of 16.9% (6.0% for FY2023).

**Comfortable capitalisation profile** – The company's capital adequacy ratio (CAR) stood at 31.8% as on September 30, 2023 (28.7% as on March 31, 2023), which was well above the regulatory requirement of 15%, while the gearing (managed) was 3.2 times (3.6 times as on March 31, 2023; 4.1 times as on March 31, 2022). The management plans to maintain the CAR well above 20% in the medium term. ICRA notes that Arohan raised Rs. 248 crore and Rs. 266 crore in FY2023 and Q1 FY2024, respectively, in the form of CCPS. This has bolstered its capitalisation profile, making it well capitalised to absorb future losses, if any, and support its growth plans. Going forward, ICRA expects Arohan's capitalisation profile to remain comfortable.

**Presence of guarantee for credit enhanced term loan of Rs. 4.53 crore** – The Rs. 4.53-crore rated term loan is credit enhanced by an unconditional, irrevocable and payable on demand guarantee from NACL, amounting to 27.69% of the initial loan amount, guaranteeing the repayment of the principal and the payment of interest amounts in relation to the facility. The PCG also has a well-defined pre-default invocation and payment mechanism. Due to the amortisation of the term loan, the guarantee now covers the entire future loan amount.

### Credit challenges

**Geographical concentration risk** – The company had a presence in 281 districts across 15 states through a network of 939 branches as on September 30, 2023. However, the share of the microfinance portfolio in West Bengal and Bihar remained high at 25% each as on September 30, 2023. The top 3 states comprised 68% of the microfinance portfolio as on September 30, 2023 (65% as on March 31, 2023; 64% as on March 31, 2022). ICRA notes that the company intends to reduce its geographical

concentration and has expanded its presence to support its growth plans, whereby it started operations in Maharashtra, Haryana and Gujarat in H1 FY2024.

Further, there is scope for district-level diversification of the portfolio as the top 5, 10 and 20 districts comprised 11%, 19% and 33%, respectively, of the microfinance portfolio as on September 30, 2023 (11%, 19% and 34%, respectively, as on March 31, 2023; 12%, 21% and 35%, respectively, as on March 31, 2022) and 36%, 65% and 114%, respectively, of the net worth as on September 30, 2023 (42%, 75% and 134%, respectively, as on March 31, 2023; 48%, 82% and 136%, respectively, as on March 31, 2022). Going forward, the company's ability to improve its geographical diversification while scaling up its operations remains important from a credit perspective.

**Political, communal, and other risks in the 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 socio-political, climatic and operational risks, which could negatively impact its operations. Arohan'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

### For the [ICRA]A (Stable) rating

As on September 30, 2023, Arohan had a free cash and liquid balance of Rs. 860 crore with debt obligations of Rs. 1,700 crore for the six-month period ending March 2024 and collections of Rs. 1,994 crore during this period. Factoring in the expected collections from advances, the liquidity profile is expected to remain adequate to meet the debt obligations in a timely manner.

### For the [ICRA]AA-(CE) (Stable) rating

Adequate liquidity is available for the rated term loan in the form of a PCG from NACL and the security pool. The PCG as well as the collections from the security pool can be utilised for meeting the scheduled payouts, if required.

### For support provider (NACL): Adequate

As of June 30, 2023, NACL had positive mismatches across all the buckets of the structural liquidity statement. The average tenor of the loan/investment portfolio is 1-2 years. On the other hand, NACL has secured a sizeable portion of its borrowings from longer-tenor loans (average tenor of ~3 years) while only 12% is from short-term sources including commercial paper, cash credit and working capital demand loans as of June 2023. As of June 2023, term loans, working capital facilities from banks and financial institutions (FIs), non-convertible debentures (NCDs; including sub-debt), external commercial borrowings and commercial paper accounted for 59%, 8%, 16%, 13% and 4%, respectively, of the total borrowings.

NACL had cash and liquid investments of Rs. 456.9 crore and undrawn bank lines of Rs. 1,350.0 crore as on September 21, 2023, with a payment obligation of Rs. 2,156.1 crore during September 22, 2023 to February 29, 2024. The monthly collection efficiency remained robust throughout FY2023 and Q1 FY2024.

## Rating sensitivities

### For the [ICRA]AA-(CE) (Stable) rating

The rating assigned to the Rs. 4.53-crore term loan programme would remain sensitive to any movement in the credit profile of NACL.

### For the [ICRA]A (Stable) rating

**Positive factors** – An increase in the scale while maintaining healthy profitability (RoMA of more than 3%), a prudent capitalisation profile and a further improvement in the asset quality indicators on a sustained basis.

**Negative factors** – Pressure on the rating could arise if the managed gearing exceeds 5.5 times on a sustained basis or there is a significant deterioration in the asset quality and/or weakening of the profitability (RoMA of less than 2%) on a sustained basis.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology for Non-banking Finance Companies</a> <a href="#">Rating Methodology for Partially Guaranteed Debt</a> <a href="#">Rating Approach – Explicit Third-party Support</a> <a href="#">Policy on Withdrawal of Credit Ratings</a>
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 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 September 30, 2023, it was catering to 21.2 lakh borrowers through a network of 939 branches spread across 281 districts and 15 states while managing assets under management (AUM) of Rs. 6,023 crore (limited review).

## Key financial indicators

Arohan Financial Services Limited	FY2022	FY2023	H1 FY2024
As per	Ind-AS	Ind-AS	Ind-AS
Total income	920	1,091	760
Profit after tax	61	71	130
Total managed assets (grossed up for provisions)	5,697	6,635	7,538
Return on average managed assets	1.0%	1.1%	3.7%
Managed gearing (times)	4.1	3.6	3.2
Gross stage 3 assets	4.5%	2.7%	1.3%
CRAR	34.6%	28.7%	31.8%

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

## Northern Arc Capital Limited (NACL; support provider)

Northern Arc Capital Limited is a systemically important NBFC. It acts as a platform in the financial services sector with the objective of catering to the diverse credit requirements of underserved households and businesses by providing access to debt finance. This is done either through direct lending and investments or by providing syndication and structuring services. The company commenced its business by targeting MFIs and has diversified into other sectors including micro, small, and medium enterprise (MSME) finance, vehicle finance (includes commercial vehicle and two-wheeler finance), consumer finance, affordable housing finance and agricultural supply chain finance. Further, over the years, NACL has steadily diversified across

products, geographies, and borrower segments. Nimbus, NACL's proprietary technology system, forms the backbone of its growth as a platform and enables the scaling up of business operations with execution and functional efficiencies and data analytics.

As of June 2023, on a fully-diluted basis, IIFL Special Opportunities Fund was the largest shareholder with a stake of 25.6% in NACL, followed by Leapfrog Financial Inclusion India II Limited (22.6%), Augusta Investments II Pte Ltd (19.5%), Eight Roads Investments (Mauritius) (II) Limited (10.2%), Dvara Trust (7.5%), Accion (5.8%), SMBC (5.3%) and others (3.5%).

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information:** ICRA notes that Arohan also faces prepayment risk, given the possibility of debt acceleration upon the breach of covenants, including financial, operating and rating-linked covenants. Upon failure to meet the covenants, if the company is unable to get waivers from the lenders/investors or the lenders/investors do not provide it with adequate time to arrange for alternative funding to pay off the accelerated loans, the ratings would face pressure. ICRA notes that Arohan has been able to raise fresh funds despite covenant breaches in the last two to three years. The management has guided that Arohan has requested for waivers from lenders/investors for such breaches and no negative comments/adverse actions have been taken for the same.



### Rating history for past three years

	Instrument	Current Rating (FY2024)						Chronology of Rating History for the Past 3 Years						
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Nov 30, 2023 (Rs. crore)*	Date & Rating in FY2024			Date & Rating in FY2023					Date & Rating in FY2022	Date & Rating in FY2021
					Jan 10, 2024	Nov 9, 2023	Aug 14, 2023	Dec 26, 2022	Sep 21, 2022	Jul 01, 2022 Jul 14, 2022	Jun 21, 2022	Apr 06, 2022	Mar 25, 2022 Oct 05, 2021 Jul 20, 2021	Oct 05, 2020 Aug 05, 2020 Jul 28, 2020
1	Long-term bank facilities – Fund based	Long-term	4,603.07	4,103.07	[ICRA]A (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Stable)
2	NCDs	Long-term	505.00	440.00	[ICRA]A (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Stable)
3	NCDs	Long-term	50.00	-	[ICRA]A (Stable); withdrawn	[ICRA]A- (Positive)	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Stable)
4	NCDs	Long-term	-	-	-	-	[ICRA]A- (Positive); withdrawn	[ICRA]A- (Stable)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Stable)
5	NCDs	Long-term	-	-	-	-	-	[ICRA]A- (Stable); withdrawn	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	-	-	-
6	Long-term bank facilities – Fund-based term loan	Long term	4.53	4.53	[ICRA]AA- (CE) (Stable)	[ICRA]A (CE) (Positive)	[ICRA]A (CE) (Positive)	[ICRA]A (CE) (Stable)	[ICRA]A (CE) (Negative)	[ICRA]A (CE) (Negative)	Provisional [ICRA]A (CE) (Negative)	Provisional [ICRA]A (CE) (Negative)	-	-
7	Subordinated debt	Long term	75.00	75.00	[ICRA]A (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]A- (Negative)	-	-	-	-	-



	Instrument	Current Rating (FY2024)						Chronology of Rating History for the Past 3 Years						
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Nov 30, 2023 (Rs. crore)*	Date & Rating in FY2024			Date & Rating in FY2023					Date & Rating in FY2022	Date & Rating in FY2021
					Jan 10, 2024	Nov 9, 2023	Aug 14, 2023	Dec 26, 2022	Sep 21, 2022	Jul 01, 2022 Jul 14, 2022	Jun 21, 2022	Apr 06, 2022	Mar 25, 2022 Oct 05, 2021 Jul 20, 2021	Oct 05, 2020 Aug 05, 2020 Jul 28, 2020
8	Subordinated debt	Long term	25.00	-	[ICRA]A (Stable); withdrawn	[ICRA]A- (Positive)	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]A- (Negative)	-	-	-	-	-

\*Source: Company

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Subordinated debt	Simple
NCD	Simple
Long-term bank facilities – Fund based	Simple
Long-term bank facilities – Fund-based term loan	Very 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
INE808K07162	NCD	Jul-29-2020	11.00%	Jul-29-2023	25	[ICRA]A (Stable); withdrawn
INE808K07246	NCD	Dec-14-2020	11.40%	Jun-14-2024	65	[ICRA]A (Stable)
INE808K08079	NCD	Mar-31-2022	13.65%	Jun-30-2027	200	[ICRA]A (Stable)
INE808K07261	NCD	Jun-26-2022	11.86%	Jun-29-2027	115	[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)
INE808K07147	NCD	Jul-10-2020	11.50%	Jul-10-2023	25	[ICRA]A (Stable); withdrawn
NA	Long-term bank facilities – Fund based	Jun-08-2018 to Oct-23-2023	5.15-14.25%	Jul-10-2023 to Jun-30-2027	4,603.07	[ICRA]A (Stable)
NA	Subordinated debt (term loan)	Sep-22-2016	11.75%	Oct-14-2023	25	[ICRA]A (Stable); withdrawn
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)
NA	Long-term bank facilities – Fund-based term loan	Mar-31-2022	10.00%	Mar-31-2024	4.53	[ICRA]AA-(CE) (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**

## ANALYST CONTACTS

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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](http://www.icra.in)

## ICRA Limited



### Registered Office

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### Branches



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**Ref: ICRA/Arohan Financial Services Limited/08012024/1**

**Date: January 8, 2024**

**Mr. Manoj Kumar Nambiar**  
**Managing Director**  
**Arohan Financial Services Limited**  
PTI Building, 4th Floor, West Wing,  
DP Block, DP-9, Sector-V, Salt lake,  
Kolkata – 700 091

**Dear Sir,**

**Re: ICRA Credit Rating for Rs. 505-crore NCD Programme of Arohan Financial Services Limited  
(instrument details in Annexure)**

In terms of the Rating Agreement/Statement of Work executed between Arohan Financial Services Limited and ICRA Limited (ICRA), ICRA is required to review the rating, on an annual basis, or as and when the circumstances so warrant.

Please note that the Rating Committee of ICRA, after due consideration of the latest development in your company, has revised the rating of your non-convertible debenture (NCD) programme to [ICRA]A (pronounced as ICRA A). The outlook on the long term rating is Stable. Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk.

In any of your publicity material or other document wherever you are using above rating, it should be stated as **[ICRA]A(Stable)**.

This rating is specific to the terms and conditions of the proposed issue as was indicated to us by you and any change in the terms or size of the issue would require the rating to be reviewed by us. If there is any change in the terms and conditions or size of the instrument rated, as above, the same must be brought to our notice before the issue of the instrument. If there is any such change after the rating is assigned by us and accepted by you, it would be subject to our review and may result in change in the rating assigned.

ICRA reserves the right to review and/ or, revise the above rating at any time on the basis of new information or unavailability of information or such other circumstances, which ICRA believes, may have an impact on the rating assigned to you.

The rating, as aforesaid, however, should not be treated as a recommendation to buy, sell or hold the instruments issued by you.

You are also requested to forthwith inform us about any default or delay in repayment of interest or principal amount of the instrument rated, as above, or any other debt instruments/ borrowing and keep us informed of any other developments which may have a direct or indirect impact on the debt servicing capability of the company including any proposal for re-schedulement or postponement of the repayment programmes of the dues/ debts of the company with any lender(s) / investor(s). Further, you are requested to inform us immediately as and when the borrowing limit for the instrument rated, as above, or as prescribed by the regulatory authority(ies) is exceeded.



We thank you for your kind cooperation extended during the course of the rating exercise. Please let us know if you need any clarification.

We look forward to further strengthening our existing relationship and assure you of our best services.

With kind regards,

Yours sincerely,

For ICRA Limited

**KARTHIK**  
**SRINIVASAN**

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Date: 2024.01.08  
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**Karthik Srinivasan**

Senior Vice President

Group Head – Financial Sector Ratings

karthiks@icraindia.com



**Annexure**
**LIST OF ALL INSTRUMENT RATED (WITH AMOUNT OUTSTANDING)**

<b>Rated Instrument</b>	<b>ISIN</b>	<b>Rated Amount (In Rs. crore)</b>	<b>Amount Outstanding (In Rs. crore)*</b>	<b>Rating Action</b>
NCD	INE808K07246	65.00	48.75	[ICRA]A(Stable); upgraded and outlook revised to Stable
NCD	INE808K08079	200.00	200.00	[ICRA]A(Stable); upgraded and outlook revised to Stable
NCD	INE808K07261	115.00	115.00	[ICRA]A(Stable); upgraded and outlook revised to Stable
NCD	INE808K08061	25.00	25.00	[ICRA]A(Stable); upgraded and outlook revised to Stable
NCD	INE808K08046	65.00	65.00	[ICRA]A(Stable); upgraded and outlook revised to Stable
NCD	INE808K08053	35.00	35.00	[ICRA]A(Stable); upgraded and outlook revised to Stable
<b>Total</b>		<b>505.00</b>	<b>488.75</b>	

*\*Source: Company*

**Ref: ICRA/Arohan Financial Services Limited/08012024/2**

**Date: January 8, 2024**

**Mr. Manoj Kumar Nambiar**  
**Managing Director**  
**Arohan Financial Services Limited**  
PTI Building, 4th Floor, West Wing,  
DP Block, DP-9, Sector-V, Salt lake,  
Kolkata – 700 091

**Dear Sir,**

**Re: Withdrawal of ICRA Rating assigned to Rs. 50-crore non-convertible debenture (NCD) programme of Arohan Financial Services Limited**

Please refer to your e-mail dated January 3, 2024, requesting us to withdraw the rating outstanding for the Rs. 50-crore NCD programme of your company. Please note that the Rating Committee of ICRA, after due consideration of the latest development in your company, has revised the rating of your NCD programme to [ICRA]A (pronounced as ICRA A) and revised the outlook to Stable from Positive. Please also note, as there is no amount outstanding against the rated instrument, the rating of [ICRA]A(Stable) has been simultaneously withdrawn as desired by you.

We shall be glad to be associated with rating of any future borrowing programme of your company.

With kind regards,  
Yours sincerely,  
For ICRA Limited

**KARTHIK**  
**SRINIVASAN**

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**Karthik Srinivasan**  
Senior Vice President  
Group Head – Financial Sector Ratings  
karthiks@icraindia.com

**Ref: ICRA/Arohan Financial Services Limited/08012024/3**

**Date: January 8, 2024**

**Mr. Manoj Kumar Nambiar**  
**Managing Director**  
**Arohan Financial Services Limited**  
PTI Building, 4th Floor, West Wing,  
DP Block, DP-9, Sector-V, Salt lake,  
Kolkata – 700 091

**Dear Sir,**

**Re: ICRA Credit Rating for Rs. 75-crore Subordinated Debt Programme of Arohan Financial Services Limited (instrument details in Annexure)**

In terms of the Rating Agreement/Statement of Work executed between Arohan Financial Services Limited and ICRA Limited (ICRA), ICRA is required to review the rating, on an annual basis, or as and when the circumstances so warrant.

Please note that the Rating Committee of ICRA, after due consideration of the latest development in your company, has revised the rating of your subordinated debt programme to [ICRA]A (pronounced as ICRA A). The outlook on the long-term rating is Stable. Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk.

In any of your publicity material or other document wherever you are using above rating, it should be stated as **[ICRA]A(Stable)**.

This rating is specific to the terms and conditions of the proposed issue as was indicated to us by you and any change in the terms or size of the issue would require the rating to be reviewed by us. If there is any change in the terms and conditions or size of the instrument rated, as above, the same must be brought to our notice before the issue of the instrument. If there is any such change after the rating is assigned by us and accepted by you, it would be subject to our review and may result in change in the rating assigned.

ICRA reserves the right to review and/ or, revise the above rating at any time on the basis of new information or unavailability of information or such other circumstances, which ICRA believes, may have an impact on the rating assigned to you.

The rating, as aforesaid, however, should not be treated as a recommendation to buy, sell or hold the instruments issued by you.

You are also requested to forthwith inform us about any default or delay in repayment of interest or principal amount of the instrument rated, as above, or any other debt instruments/ borrowing and keep us informed of any other developments which may have a direct or indirect impact on the debt servicing capability of the company including any proposal for re-schedulement or postponement of the repayment programmes of the dues/ debts of the company with any lender(s) / investor(s). Further, you are requested to inform us immediately as and when the borrowing limit for the instrument rated, as above, or as prescribed by the regulatory authority(ies) is exceeded.



We thank you for your kind cooperation extended during the course of the rating exercise. Please let us know if you need any clarification.

We look forward to further strengthening our existing relationship and assure you of our best services.

With kind regards,

Yours sincerely,

For ICRA Limited

**KARTHIK  
SRINIVASAN**

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**Karthik Srinivasan**

Senior Vice President

Group Head – Financial Sector Ratings

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**Annexure**
**LIST OF ALL INSTRUMENT RATED (WITH AMOUNT OUTSTANDING)**

<b>Rated Instrument</b>	<b>Rated Amount (In Rs. crore)</b>	<b>Amount Outstanding (In Rs. crore)*</b>	<b>Rating Action</b>
Subordinated debt	50.00	50.00	[ICRA]A(Stable); upgraded and outlook revised to Stable
Subordinated debt	25.00	25.00	[ICRA]A(Stable); upgraded and outlook revised to Stable
<b>Total</b>	<b>75.00</b>	<b>75.00</b>	

*\*Source: Company*

**Ref: ICRA/Arohan Financial Services Limited/08012024/4**

**Date: January 8, 2024**

**Mr. Manoj Kumar Nambiar**  
**Managing Director**  
**Arohan Financial Services Limited**  
PTI Building, 4th Floor, West Wing,  
DP Block, DP-9, Sector-V, Salt lake,  
Kolkata – 700 091

**Dear Sir,**

**Re: Withdrawal of ICRA Rating assigned to Rs. 25-crore sub-debt programme of Arohan Financial Services Limited**

Please refer to your e-mail dated January 3, 2024, requesting us to withdraw the rating outstanding for the Rs. 25-crore sub-debt programme of your company. Please note that the Rating Committee of ICRA, after due consideration of the latest development in your company, has revised the rating of your sub-debt programme to [ICRA]A (pronounced as ICRA A) and revised the outlook to Stable from Positive. Please also note, as there is no amount outstanding against the rated instrument, the rating of [ICRA]A(Stable) has been simultaneously withdrawn as desired by you.

We shall be glad to be associated with rating of any future borrowing programme of your company.

With kind regards,  
Yours sincerely,  
For ICRA Limited

**KARTHIK**  
**SRINIVASAN** Digitally signed by  
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**Karthik Srinivasan**  
Senior Vice President  
Group Head – Financial Sector Ratings  
karthiks@icraindia.com

**Ref: ICRA/Arohan Financial Services Limited/08012024/5**

**Date: January 8, 2024**

**Mr. Manoj Kumar Nambiar**  
**Managing Director**  
**Arohan Financial Services Limited**  
PTI Building, 4th Floor, West Wing,  
DP Block, DP-9, Sector-V, Salt lake,  
Kolkata – 700 091

**Dear Sir,**

**Re: Surveillance of ICRA-assigned Credit Rating for Rs. 4,603.07 crore (reduced from Rs. 5,271.88 crore) Bank Facilities of Arohan Financial Services Limited (instrument details in Annexure)**

Please refer the Rating Agreement/Statement of Work between ICRA Limited (“ICRA”) and your company, whereby, ICRA is required to review the ratings assigned to your company on an annual basis or as and when the circumstances so warrant. Further, please refer to your mail dated January 4, 2024, regarding revision in the rated limits for the bank facilities programme to Rs. 4,603.07 crore from Rs. 5,271.88 crore.

Please note that the Rating Committee of ICRA, after due consideration, has revised the long-term rating outstanding on the bank facilities of your company to [ICRA]A (pronounced ICRA A). The outlook on the long-term rating is Stable. For Rating definition(s), please refer to ICRA website at [www.icra.in](http://www.icra.in).

In any of your publicity material or other document wherever you are using the above Rating(s), it should be stated as **[ICRA]A(Stable)**.

The aforesaid Rating(s) will be due for surveillance any time before January 4, 2025. However, ICRA reserves the right to review and/or, revise the above Rating(s) at any time on the basis of new information becoming available, or the required information not being available, or other circumstances that ICRA believes could have an impact on the Rating(s). Therefore, request the lenders and investors to visit ICRA website at [www.icra.in](http://www.icra.in) for latest Rating(s) of the Company.

The Rating(s) are specific to the terms and conditions of the bank facilities as indicated to us by you, and any change in the terms or size of the same would require a review of the Rating(s) by us. In case there is any change in the terms and conditions or the size of the rated bank facilities, the same must be brought to our notice before the bank facilities is used by you. In the event such changes occur after the Ratings have been assigned by us and their use has been confirmed by you, the Ratings would be subject to our review, following which there could be a change in the Ratings previously assigned. Notwithstanding the foregoing, any change in the overall limit of the bank facilities from that specified in the first paragraph of this letter would constitute an enhancement that would not be covered by or under the said Rating Agreement.

ICRA reserves the right to review and/or, revise the above Rating(s) at any time on the basis of new information becoming available, or the required information not being available, or other circumstances that ICRA believes could have an impact on the Rating(s) assigned.

The Rating(s) assigned must be understood solely as an opinion and should not be treated, or cause to be treated, as recommendation to buy, sell, or hold the rated bank facilities availed/issued by your Company.





The Rating(s) assigned to the bank facilities of your Company shall require revalidation if there is any change in the size or structure of the rated facilities.

You are also requested to forthwith inform us about any default or delay in repayment of interest or principal amount of the instrument rated, as above, or any other debt instruments/ borrowing and keep us informed of any other developments which may have a direct or indirect impact on the debt servicing capability of the company including any proposal for re-schedulement or postponement of the repayment programmes of the dues/ debts of the Company with any lender(s) / investor(s). Further, you are requested to inform us immediately as and when the borrowing limit for the instrument rated, as above, or as prescribed by the regulatory authority(ies) is exceeded.

We look forward to your communication and assure you of our best services.

With kind regards,  
Yours sincerely,  
For ICRA Limited

**KARTHIK**  
**SRINIVASAN**

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**Karthik Srinivasan**  
Senior Vice President  
Group Head – Financial Sector Ratings  
karthiks@icraindia.com

**Annexure: Instrument Details**

Details of Bank Limits Rated by ICRA (Rated on Long-Term Scale)	Amount (Rs. crore)*	Rating	Rating Action on
<b>Cash Credit</b>			
Axis Bank Limited	30.00	[ICRA]A(Stable)	January 5, 2024
Federal bank Limited	5.00	[ICRA]A(Stable)	January 5, 2024
IDFC First Bank Limited	10.00	[ICRA]A(Stable)	January 5, 2024
Indian Bank	10.00	[ICRA]A(Stable)	January 5, 2024
<b>Term Loan</b>			
Axis Bank Limited	177.27	[ICRA]A(Stable)	January 5, 2024
Bandhan Bank Limited	174.83	[ICRA]A(Stable)	January 5, 2024
Bank of Baroda	93.06	[ICRA]A(Stable)	January 5, 2024
Equitas Small Finance Bank Limited	50.41	[ICRA]A(Stable)	January 5, 2024
ESAF Small Finance Bank Limited	10.00	[ICRA]A(Stable)	January 5, 2024
Federal Bank Limited	144.44	[ICRA]A(Stable)	January 5, 2024
Hero Fincorp Limited	19.26	[ICRA]A(Stable)	January 5, 2024
Hinduja Leyland Finance Limited	22.79	[ICRA]A(Stable)	January 5, 2024
HSBC Limited	247.62	[ICRA]A(Stable)	January 5, 2024
ICICI Bank Limited	242.95	[ICRA]A(Stable)	January 5, 2024
IDFC FIRST Bank Limited	267.70	[ICRA]A(Stable)	January 5, 2024
Indian Bank	37.50	[ICRA]A(Stable)	January 5, 2024
IndusInd Bank Ltd.	149.97	[ICRA]A(Stable)	January 5, 2024
DBS Bank India Limited	100.00	[ICRA]A(Stable)	January 5, 2024
Kisetsu Saison Finance (India) Private Limited	31.25	[ICRA]A(Stable)	January 5, 2024
Kookmin Bank	54.00	[ICRA]A(Stable)	January 5, 2024
Kotak Mahindra Bank Limited	31.87	[ICRA]A(Stable)	January 5, 2024
Mahindra & Mahindra Financial Services Limited	40.32	[ICRA]A(Stable)	January 5, 2024
Bajaj Finance Limited	21.87	[ICRA]A(Stable)	January 5, 2024
Manappuram Finance Limited	24.93	[ICRA]A(Stable)	January 5, 2024
Micro Units Development & Refinance Agency Limited	50.90	[ICRA]A(Stable)	January 5, 2024
National Bank for Agriculture and Rural Development	45.00	[ICRA]A(Stable)	January 5, 2024
Nabkisan Finance Limited	63.33	[ICRA]A(Stable)	January 5, 2024
Nabsamruddhi Finance Limited	61.94	[ICRA]A(Stable)	January 5, 2024
Northern Arc Capital Limited	60.39	[ICRA]A(Stable)	January 5, 2024
Maanaveeya Development & Finance Private Limited	7.50	[ICRA]A(Stable)	January 5, 2024
Piramal Enterprises Limited	37.50	[ICRA]A(Stable)	January 5, 2024
Shivalik Small Finance Bank Limited	5.32	[ICRA]A(Stable)	January 5, 2024
Small Industries Development Bank of India	549.98	[ICRA]A(Stable)	January 5, 2024
Standard Chartered Bank	189.43	[ICRA]A(Stable)	January 5, 2024
State Bank of India	668.27	[ICRA]A(Stable)	January 5, 2024
Union Bank of India	72.73	[ICRA]A(Stable)	January 5, 2024
Vivriti Capital Private Limited	30.00	[ICRA]A(Stable)	January 5, 2024
Woori Bank	26.25	[ICRA]A(Stable)	January 5, 2024
DCB Bank	41.66	[ICRA]A(Stable)	January 5, 2024
HDFC Bank Limited	45.83	[ICRA]A(Stable)	January 5, 2024
Bank of Maharashtra	150.00	[ICRA]A(Stable)	January 5, 2024
Unallocated long term bank facilities	500.00	[ICRA]A(Stable)	January 5, 2024
<b>Total</b>	<b>4,603.07</b>		

\*Source: Company

**Ref: ICRA/Arohan Financial Services Limited/08012024/6**

**Date: January 8, 2024**

**Mr. Manoj Kumar Nambiar**  
**Managing Director**  
**Arohan Financial Services Limited**  
PTI Building, 4th Floor, West Wing,  
DP Block, DP-9, Sector-V, Salt lake,  
Kolkata – 700 091

**Dear Sir,**

**Re: Surveillance of ICRA-assigned Credit Rating for Rs. 4.53 crore (reduced from Rs. 25-crore) Bank Facilities of Arohan Financial Services Limited (instrument details in Annexure)**

In terms of the Rating Agreement/Statement of Work executed between Arohan Financial Services Limited and ICRA Limited (ICRA), ICRA is required to review the rating, on an annual basis, or as and when the circumstances so warrant. Further, please refer to your mail dated January 3, 2024, regarding revision in the rated limits for the bank facilities programme to Rs. 4.53 crore from Rs. 25-crore

Based on a review of the latest developments, the Rating Committee of ICRA, after due consideration has revised the rating of your bank lines programme to [ICRA]AA-(CE) (pronounced as ICRA AA minus Credit Enhancement). Securities with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such securities carry very low credit risk. The outlook of rating is Stable. The rating shall continue to be subject to adherence to all the conditions mentioned in our aforesaid rating communication letter dated March 31, 2022. The letters CE in parenthesis suffixed to the rating symbol stand for Credit Enhancement. A CE rating is specific to the rated issue, its terms, and its structure. CE ratings do not represent ICRA's opinion on the general credit quality of the issuers concerned.

The aforesaid Rating(s) will be due for surveillance any time before January 4, 2025. However, ICRA reserves the right to review and/or, revise the above Rating(s) at any time on the basis of new information becoming available, or the required information not being available, or other circumstances that ICRA believes could have an impact on the Rating(s). Therefore, request the lenders and Investors to visit ICRA website at [www.icra.in](http://www.icra.in) for latest Rating(s) of the Company.

In any of your publicity material or other document wherever you are using our above rating, it should be stated as “[ICRA]AA-(CE)(Stable)”.

ICRA shall not be held responsible for non-compliance with any of the stipulated terms and conditions as well as any errors or misrepresentations of facts made by the entity or the trustee.

ICRA reserves the right to review and or, revise the above ratings at any time on the basis of new information or unavailability of information or such other circumstances, which ICRA believes, may have an impact on the rating assigned to you. The ratings, as aforesaid, however, should not be treated as a recommendation to buy, sell or hold the instrument to be issued by you.

You are requested to forthwith inform us about any default or delay in repayment of interest or principal amount of the instrument rated, as above, or any other debt instruments/ borrowing , and are also requested to keep us



informed of any other developments which may have a direct or indirect impact on the debt servicing capability of the company including any proposal for re-schedulement or postponement of the repayment programmes of the dues/ debts of the company with any lender(s) / investor(s), or occurrence of any significant development that could impact the ability of the company to raise funds such as restriction imposed by any authority from raising funds through issuance of debt securities through electronic bidding system.

Further, you are requested to inform us immediately as and when the borrowing limit for the instrument/loan facility rated, as above, or as prescribed by the regulatory authority (ies) is exceeded.

We thank you for your kind cooperation extended during the course of the rating exercise. Should you require any clarification, please do not hesitate to get in touch with us.

We look forward to your communication and assure you of our best services.

With kind regards,  
Yours sincerely,  
For ICRA Limited

**KARTHIK  
SRINIVASAN**

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**Karthik Srinivasan**  
Senior Vice President  
Group Head – Financial Sector Ratings  
karthiks@icraindia.com



## Annexure

### Details of Term Loan Rated by ICRA

S.No.	Name of the Bank/Lender	Type of Facility, Amount	Rating Action
1	Hinduja Leyland Finance Limited	Term Loan, Rs. 4.53 crore	[ICRA]AA-(CE)(Stable); rating upgraded, and outlook revised to Stable
	<b>Total</b>	<b>Rs. 4.53 crore</b>	