Namra Finance Limited

December 31, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Non Convertible Debentures	22.75	CARE A-; Negative	Reaffirmed
Non Convertible Debentures	41.00	CARE A-; Negative	Reaffirmed
Non Convertible Debentures	25.00 (Reduced from 42.50)	CARE A-; Negative	Reaffirmed
Non Convertible Debentures	50.00	CARE A-; Negative	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

To arrive at the ratings, CARE Ratings Limited (CareEdge Ratings) has analysed the Standalone business and financial risk profiles of Namra Finance Limited (NFL) factoring in linkages with its parent, Arman Financial Services Limited (AFSL), together referred to as Arman Group. Reaffirmation in the ratings to the debt facilities of NFL continues to factor in the comfortable capitalisation and adequate liquidity profile of the Arman Group with cash and bank balances forming 20.87% of its total assets as on September 30, 2025.

However, rating outlook continues to remain 'Negative', on account of ongoing stress in its microfinance industry and small and medium enterprise (SME) portfolios, which together accounted for ~93% of the group's consolidated assets under management (AUM) as on September 30, 2025. Although asset quality and profitability were adversely impacted during FY25 and H1FY26 amid sustained stress, Q2FY26 witnessed a marginal improvement, with current collection efficiency improving to ~97% (current collections/current demand) a gradual and granular normalisation in asset quality is expected in H2FY26. Accordingly, asset quality is expected to witness a gradual and granular normalisation in H2FY26.

The Arman Group's consolidated AUM declined by 14% year-on-year to ₹2,130 crore as on September 30, 2025, from ₹2,465 crore as on September 30, 2025 (₹2,245 crore as on March 31, 2025). This decline was primarily due to subdued disbursements in the microfinance segment. However, on a standalone basis, AFSL recorded a 29% growth in AUM, rising from ₹484 crore to ₹623 crore as on September 30, 2025, supported by increased traction in the SME and loan against property (LAP) segments. CareEdge Ratings has noted the quarter-on-quarter improvement in profitability for Arman on consolidated basis and Namra on standalone basis, which is expected to improve further in H2FY26.

Ratings also take into account the limited track record of operations in new geographies, risks associated with unsecured lending in microfinance and micro, small and medium enterprises (MSME) loans, and its presence in a highly competitive financing industry and regulatory risks pertaining to the microfinance business.

CareEdge Ratings will continue to closely monitor the group's asset quality and profitability trajectory in H2FY26. The group's ability to improve collection efficiency, sustain earnings, diversify funding sources, and maintain healthy capitalisation and gearing levels will be a key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action:

- Improving profitability profile with return on total assets (RoTA) of over 4% on a sustained basis
- Sizeable equity raises leading to improving net worth and improving gearing
- Sizeable scale up of operations while reducing geographical concentration

Negative factors: Factors that could individually or collectively lead to negative rating action:

- Significantly rising GNPA ratio leading to deterioration in profitability profile with reduction in RoTA below 2%
- Deteriorating capital structure, with overall gearing exceeding 5x

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Analytical approach:
Standalone; factoring in linkages with the parent, AFSL.

Outlook: Negative
The Negative outlook is on account of ongoing stress in AFSL's microfinance and SME portfolios, which together comprised ~93% of the consolidated AUM, resulting in weakened asset quality and profitability. The outlook may be revised to 'Stable' if the company is able to demonstrate improvement in asset quality and profitability and mobilize funding from banking channel sources at competitive rates.

Detailed description of key rating drivers:

Key strengths
Comfortable capitalisation levels
With the last round of capital infusion of ₹230 crore in December 2023 in AFSL, the group's tangible net worth (TNW) increased to ₹793 crore as on March 31, 2024, from ₹350 crore as on March 31, 2023, and with internal accruals, TNW increased by 7% YOY to ₹848 crore as on March 31, 2025. Despite losses reported in H1FY26, the TNW stood at ₹851 crore as on September 30, 2025 supported by deferred tax asset (DTA) adjustments. As capital of ₹70 crore was infused in NFL in FY25, its TNW increased to ₹619 crore as on March 31, 2025, from ₹539 crore as on March 31, 2024. TNW of NFL moderated to ₹597 crore as on September 30, 2025 owing to losses during H1FY26.

With the capital raise and muted disbursements in FY25, borrowings increased at a lower rate and the group's debt requirement reduced, translating to a reduced gearing level 1.45x as on March 31, 2025, from 2.2x as on March 31, 2024. Similar trend followed in NFL with 1.3x as on March 31, 2025, from 2.7x as on March 31, 2024. Gearing for AFSL (Consolidated) and NFL (Standalone) stood at 1.41x and 1.25x during the same period. Further, management expects to maintain the gearing below 3x in the near future.

CareEdge Ratings expects comfortable capitalisation to provide required cushion to the group in current times of ongoing stress in the microfinance sector.

Diversified, albeit declining, AUM
AFSL caters to low-income customers by providing lending services for two-wheeler (TW) financing, financing for MSME and loan against property (LAP) and NFL provides microfinance loans. The group's AUM has been on a rising trend over the years, reaching AUM of ₹2,639 crore as on March 31, 2024, up by 36% y-o-y. However, owing to ongoing stress, the Arman Group's consolidated AUM stood at ₹2,245 crore as on March 31, 2025, reflecting a year-on-year decline of 15% from ₹2,639 crore as on March 31, 2024. It further declined to ₹2,130 crore as on September 30, 2025 (₹2,465 crore as on September 30, 2024). The decline was primarily driven by muted disbursements and repayments in the microfinance segment, which is managed through its wholly owned subsidiary NFL, contributing ~71% to the group's AUM as on September 30, 2025.

Despite this decline, the group's AUM remains diversified across segments, with the non-MFI portfolio showing positive traction and AFSL on a standalone basis, registered a 29% AUM growth with AUM at ₹623 crore as on September 30, 2025 (₹560 crore as on March 31, 2025) compared to ₹484 crore as on September 30, 2025, supported by increased traction in the SME and LAP segment.

CareEdge Ratings expects AUM to witness a modest uptick in H2FY26, as disbursements are likely to normalise going forward. While stress in the microfinance segment persists, diversification into non-MFI segments is expected to support a gradual improvement in AUM growth**.**

Key weaknesses
Concentrated resource profile
Entities in the Arman Group borrow on a standalone basis. Lenders' profile for both the companies are different, where AFSL borrowed majorly from capital market in FY24 with 58% share, however, in H1FY26, its majority borrowings were in the form of term loan with 44% share followed by PTC transaction constituting 16%.

NFL majorly borrows in the form of term loan with 81% share and balance in form of NCD with 19% share as on September 30, 2025. The share of NCDs has grown significantly in H1FY26 to 19% compared to 9% in FY24. Ratio of banks in AFSL and NFL is on declining trend since last one year. During the half-year ended September 30, 2025, the group received incremental debt sanctions of ₹254.90 crore, primarily from non-banking channels.

Going forward the group's ability to raise fresh bank funding would remain a key monitorable.

Weakening profitability and asset quality amidst MFI stress
The group reported a significant deterioration in profitability in FY25, with RoTA sharply declining to 2.16% from 7.48% in FY24 with decline in profit to ₹52 crore in FY25 from ₹174 crore in FY24, primarily driven by elevated credit costs, which increased to 10.97% from 2.81% in the previous year, owing to stress in the microfinance segment. The pressure on profitability persisted in H1FY26, with RoTA turning negative at -0.59% compared to 3.93% in H1FY25, as the company reported a loss of ₹6.59 crore versus a profit of ₹46.57 crore in the corresponding period last year. Credit costs at the consolidated level remained elevated at ₹104.79 crore for H1FY26 (compared to ₹99.15 crore in H1FY25), driven by ongoing stress in core lending segments. However the group has demonstrated an improvement in profitability on a quarter-on-quarter basis, with PBT turning positive at ₹17.93 crore in Q2FY26, compared to a loss of ₹11.17 crore in Q1FY26. The improvement was supported by higher disbursements, lower interest cost, and a moderation in provisions, despite elevated operating expenses and aggressive write-off. The group's ability to sustain this improving trend in profitability and asset quality over the coming quarters will remain a key monitorable

Although yields and net income margin (NIM) remained stable, the sharp spike in provisioning expenses eroded bottom-line performance. However, profitability in FY25 was partially supported by a one-time income of ₹36.75 crore (net gain on sale of Financial Instrument) from an ARC transaction, involving transfer of assets amounting to ₹185.99 crore that had already been fully provided for in Q4FY24 and FY25. On a standalone basis, NFL reported a loss of ₹28.57 crore in H1FY26 compared to profit of ₹25.35 crore in H1FY25, with RoTA dropping significantly to -3.53% from 2.71%.

As of September 30, 2025, both microfinance and SME segments exhibited elevated stress and asset quality weakened with GNPA rising to 3.68% as on September 30, 2025 (from 2.96% in March 2024). Delinquency levels on AFSL's (Standalone) 90+ dpd portfolio rose to 3.57%, up from 2.57% on March 31, 2024. For NFL, the 90+ dpd book stood at 4.14%, up from 2.57% as on March 31, 2024. Stressed asset ratio (Gross NPA + Security Receipts divided by Gross Advances) for AFSL on a consolidated basis stood at 5.08%(Consolidated) as March 31, 2025.

While there has been a slight improvement in profitability in both entities, group's ability to sustain this improving trend in profitability and asset quality over the coming quarters due to ongoing stress in Microfinance and SME industry will remain a key monitorable.

Regulatory and inherent risks associated with unsecured lending
The group operates in a business segment that is unsecured in nature, exposing it to credit risks. However, with strong underwriting mechanism and higher provisioning, the net NPA (NNPA) ratio remained controlled. The company is also exposed to regulatory risks associated with adverse changes in regulations guiding such NBFCs, and event-based risks associated with microfinancing.

Liquidity: Adequate
Per asset liability management (ALM) statement of NFL on a standalone basis, as on September 30, 2025, there were positive cumulative mismatches across all time buckets. On a consolidated basis, the Arman group had a cash and bank balance of ₹445 crore as on September 30, 2025, of which ₹157 crore remained unencumbered in nature. Additionally, ₹72 crore of unutilised overdraft facility backed by fixed deposits provided comfort. As on September 30, 2025, expected collections of the group stood at ₹1,292 crore for the next one year against debt repayment of ₹911 crore during the same period.

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Notching by Factoring Linkages in Ratings
Definition of Default
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector
Non Banking Financial Companies

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Finance	Microfinance Institutions

Incorporated on November 26, 1992, AFSL caters to low-income customers by providing lending services for TW financing, financing for SME and LAP. In May 2013, a wholly owned subsidiary of AFSL, NFL started its operations by providing microfinance loan. AFSL is registered as a non-deposit taking NBFC is registered as a non-deposit taking NBFC-MFI with RBI. Formerly known as Arman Lease and Finance Limited, AFSL is promoted by Jayendra Patel. AFSL and NFL, together known as the Arman Group, started operations with microfinance lending through NFL in 2013 and SME financing through AFSL in 2017.

NFL(Standalone)

Brief Financials (₹ crore)	31-03-2024	31-03-2025	H1FY26
	A	A	UA
Total income	530.25	552.38	209.30
Profit After Tax (PAT)	138.33	7.85	-28.57
Assets under management (AUM)	2,193.00	1,685.78	1,507.24
On-book gearing (x)	2.66	1.37	1.25
AUM / tangible net-worth (TNW) (x)	4.07	2.72	2.52
Gross non-performing assets (NPA) / gross stage 3 (%)	2.96%	3.35%	3.75%
Return on managed assets (ROMA) (%)	6.09%	0.34%	-2.72%
Capital adequacy ratio (CAR) (%)	32.80%	48.46%	57.78%

A: Audited UA: Unaudited; Note: these are latest available financial results

AFSL (Consolidated)

Brief Financials (₹ crore)	31-03-2024	31-03-2025	H1FY26
	A	A	UA
Total income	661.53	730.04	310.21
Profit After Tax (PAT)	173.57	52.07	-6.59
Assets under management (AUM)	2,639.00	2,245.00	2,130.43
On-book gearing (x)	2.17	1.45	1.41
AUM / tangible net-worth (TNW) (x)	3.33	2.65	2.50
Gross non-performing assets (NPA) / gross stage 3 (%)	2.91%	3.36%	3.68%
Return on managed assets (ROMA) (%)	6.34%	1.79%	-0.48%
Capital adequacy ratio (CAR) (%)	32.80%	37.34%	38.73%

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Non Convertible Debentures	INE229U07061*	11-Mar-2022	11.20%	11-Mar-2027	22.26	CARE A-; Negative
Debentures-Non Convertible Debentures	INE229U07137	06-Aug-2024	11.00%	24-May-2026	25.00	CARE A-; Negative
Debentures-Non Convertible Debentures	INE229U07129	24-May-2024	11.95%	08-Aug-2025*	0.00	CARE A-; Negative
Debentures-Non Convertible Debentures	INE229U07095	26-Jun-2023	12.20%	26-Jun-2028	40.28	CARE A-; Negative
Debentures-Non Convertible Debentures-Proposed	-	-	-	-	51.21	CARE A-; Negative

*Redeemed as of date.

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)CARE BBB+; Stable (01-Jun-22) 2)Withdrawn (01-Jun-22)
2	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (19-Jul-22) 2)CARE BBB+; Stable (01-Jun-22)
3	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)CARE BBB+; Stable (01-Jun-22)

								2)Withdrawn (01-Jun-22)
4	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (06-Mar-24) 2)CARE BBB+; Stable (23-Jun-23)	1)CARE BBB+; Stable (03-Jan-23) 2)CARE BBB+; Stable (19-Jul-22) 3)CARE BBB+; Stable (01-Jun-22)
5	Debentures-Market Linked Debentures	LT	-	-	-	-	-	1)Withdrawn (03-Jan-23) 2)CARE PP-MLD BBB+; Stable (19-Jul-22) 3)CARE PP-MLD BBB+; Stable (01-Jun-22)
6	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (23-Jun-23)	1)CARE BBB+; Stable (03-Jan-23) 2)CARE BBB+; Stable (19-Jul-22) 3)CARE BBB+; Stable (01-Jun-22)
7	Debentures-Non Convertible Debentures	LT	22.75	CARE A-; Negative	1)CARE A-; Negative (16-Jun-25)	1)CARE A-; Stable (07-Jan-25) 2)CARE A-; Stable (29-Jul-24) 3)CARE A-; Stable	1)CARE A-; Stable (06-Mar-24) 2)CARE BBB+; Stable (23-Jun-23)	1)CARE BBB+; Stable (03-Jan-23) 2)CARE BBB+; Stable (19-Jul-22) 3)CARE BBB+; Stable

						(17-May-24)		(01-Jun-22)
8	Debentures-Non Convertible Debentures	LT	41.00	CARE A-; Negative	1)CARE A-; Negative (16-Jun-25)	1)CARE A-; Stable (07-Jan-25) 2)CARE A-; Stable (29-Jul-24) 3)CARE A-; Stable (17-May-24)	1)CARE A-; Stable (06-Mar-24) 2)CARE BBB+; Stable (23-Jun-23)	-
9	Debentures-Non Convertible Debentures	LT	25.00	CARE A-; Negative	1)CARE A-; Negative (16-Jun-25)	1)CARE A-; Stable (07-Jan-25) 2)CARE A-; Stable (29-Jul-24) 3)CARE A-; Stable (17-May-24)	-	-
10	Debentures-Non Convertible Debentures	LT	50.00	CARE A-; Negative	1)CARE A-; Negative (16-Jun-25)	1)CARE A-; Stable (07-Jan-25) 2)CARE A-; Stable (29-Jul-24)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	**Analytical Contacts**
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Priyesh Ruparelia Director **CARE Ratings Limited** Phone: +91-22-6754-3593 E-mail: Priyesh.ruparelia@careedge.in Sudam Shrikrushna Shingade Associate Director **CARE Ratings Limited** Phone: +91-22-6754-3453 E-mail: sudam.shingade@careedge.in Sehdev Pahwa Analyst **CARE Ratings Limited** E-mail: Sehdev.pahwa@careedge.in

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