Namra Finance Limited

October 22, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Non-convertible debentures	SEBI	0.49 (Reduced from 22.75)	CARE A-; Stable	Reaffirmed; Outlook revised from Negative
Non-convertible debentures	SEBI	0.72 (Reduced from 41.00)	CARE A-; Stable	Reaffirmed; Outlook revised from Negative
Non-convertible debentures	SEBI	50.00	CARE A-; Stable	Reaffirmed; Outlook revised from Negative
Non-convertible debentures	SEBI	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

To arrive at ratings, CARE Ratings Limited (CareEdge Ratings) has analysed consolidated business and financial risk profiles of Arman Financial Services Limited (AFSL) and its wholly owned subsidiary, Namra Finance Limited (NFL), together referred to as the Arman Group.

Reaffirmation of long-term ratings and revision in outlook to Stable from Negative reflects sustained improvement in the group's asset quality and earnings since Q2FY26. The improvement has been supported by lower fresh delinquencies, better collection efficiency, and recoveries from stressed accounts, and structural changes undertaken by the group, including the separation of credit and recovery functions, deployment of Branch Credit Managers, formation of dedicated recovery teams and tighter borrower-level underwriting. Reaffirmation of ratings reflects comfortable capitalisation and profitability, and long track record of the group in microfinance and associated sectors.

The group's consolidated gross non-performing assets (GNPA) and net NPA (NNPA) ratios improved to 2.7% and 0.8%, respectively, as on June 30, 2026 (3.5% and 1.0% as on March 31, 2026) from 3.4% and 0.6%, respectively, as on March 31, 2025, supported by lower fresh delinquencies, improved collections, recoveries, and write-offs. Consolidated PAR 30 (portfolio at risk, 30 days past due) declined from 7.3% in March 2025 to 5.0% in March 2026, and further to 4.4% in June 2026. Credit costs also moderated significantly to ~2.7% in Q1FY27, from ~6.0% in FY26, and 11.0% in FY25. Around 94% of the eligible microfinance portfolio was covered under the Credit Guarantee Fund for Micro Units (CGFMU) scheme as on June 30, 2026, providing additional protection against borrower defaults.

The improvement in asset quality translated into a material recovery in earnings. The group reported profit after taxation (PAT) of ₹57 crore in FY26, compared to ₹52 crore in FY25, although profitability remained significantly below the FY24 level of ₹174 crore. Return on total assets (ROTA) remained moderate at ~2.2% in FY25 and 2.3% in FY26, compared to 7.5% in FY24. However, PAT improved to ₹45 crore in Q1FY27, against a loss of ₹15 crore in Q1FY26, with annualised ROTA increasing to 6.2%, primarily due to the moderation in credit costs. CareEdge Ratings expects Arman Group to report higher profitability in FY27 than FY26 levels.

The group also recorded healthy business growth, with consolidated assets under management (AUM) increasing by 35.7% to ₹2,925 crore as on June 30, 2026. Capitalisation remained comfortable, reflected in a capital adequacy ratio (CAR) of 36.9%, moderate overall gearing of 2.1x and tangible net worth (TNW) of ₹957 crore as on the same date.

These strengths are partially offset by the group's relatively high borrowing costs, with the incremental cost of borrowing remaining elevated at ~11.7% in Q1FY27. Ratings also remain constrained by the concentration of the loan book in microfinance and micro, small, and medium enterprise (MSME) loans, which together accounted for ~94% of consolidated AUM as on June 30, 2026. The predominantly unsecured nature of these segments exposes the group to borrower vulnerability, external disruptions,

[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority.
[2]Complete definitions of ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

socio-political intervention, and regulatory uncertainty. The sustainability of the improvement in asset quality and profitability, while maintaining prudent capitalisation as the group scales up, will remain a key rating monitorable.

CareEdge Ratings has withdrawn the rating assigned to non-convertible debentures (NCDs; ISIN No. INE229U07061, INE229U07095, INE229U07129, and INE229U07137) of NFL with immediate effect in line with CareEdge Ratings withdrawal policy, as the company has redeemed the instrument and there is no amount outstanding under the issue.

Rating sensitivities: Factors likely to lead to rating actions

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

- Sizeable scale-up of operations and net worth base, with improved geographical diversification and continued comfortable capitalisation.
- Improving profitability profile with ROTA of over 4% on a sustained basis.

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

- Significant weakening in asset quality leading to deterioration in profitability profile with ROTA remaining below 2% on a sustained basis.
- Deteriorating capital structure, with overall gearing exceeding 5x.

Analytical approach:

Standalone, factoring in linkages with the parent, AFSL. NFL being wholly owned subsidiary of AFSL, benefits from managerial, operational and financial linkages with the parent.

Outlook: Stable

Stable outlook on long-term rating of NFL reflects CareEdge Ratings' expectation that the group will scale up its operations in the near-term, with gradual improvement in its profitability while maintaining adequate capitalisation levels.

Detailed description of key rating drivers

Key strengths

Comfortable capitalisation and moderate leverage

The group's capitalisation remains comfortable, supported by its sizeable net worth and internal accruals. Consolidated TNW stood at ₹957 crore as on June 30, 2026, while the CAR remained healthy at 36.9%, providing adequate headroom over the regulatory requirement.

Borrowings increased from ₹1,232 crore as on March 31, 2025, to ₹1,776 crore as on March 31, 2026, and further to ₹1,964 crore as on June 30, 2026, in line with the expansion in the on-book portfolio. Consequently, overall gearing increased from 1.5x to 2.0x and 2.1x, respectively. Leverage remains moderate and provides sufficient headroom to support calibrated growth. Consolidated AUM increased by 35.7% year-on-year (y-o-y) to ₹2,925 crore as on June 30, 2026, while capitalisation remained comfortable.

Recovery in profitability, although operating expenses remain elevated

The group's profitability was affected in FY25 and H1FY26 by industry-wide stress in the microfinance segment. PAT declined from ₹174 crore in FY24 to ₹52 crore in FY25, before improving to ₹57 crore in FY26, owing to elevated credit costs of ₹264 crore in FY25 and ₹148 crore in FY26, compared to ₹65 crore in FY24. However, the benefit of lower credit costs in FY26 was partly offset by an increase in operating expenses to ₹215 crore from ₹157 crore in FY25, primarily due to investments in an independent credit team and the cost of CGFMU coverage. Consequently, ROTA remained moderate at ~2.2% in FY25 and 2.3% in FY26, compared to 7.5% in FY24.

Profitability improved materially in Q1FY27, with PAT increasing to ₹45 crore from a loss of ₹15 crore in Q1FY26, supported by a 36% increase in net interest income to ₹119 crore and a reduction in provisions to ₹20 crore from ₹67 crore. With credit costs moderating to ~2.7%, annualised ROTA improved to ~6.2%.

CareEdge Ratings expects profitability to remain on an improving trajectory in FY27, although the group's ability to sustain lower credit costs and achieve operating leverage will remain important.

Key weaknesses

Asset quality remains a key monitorable, despite the improvement

The group's asset quality has improved since Q2FY26, supported by lower fresh delinquencies, better collection efficiency, recoveries from stressed accounts and continued write-offs. Consolidated GNPA and NNPA ratios improved to 2.7% and 0.8%, respectively, as on June 30, 2026, from 3.5% and 1.0% as on March 31, 2026. Corresponding ratios stood at 3.4% and 0.6%, respectively, as on March 31, 2025.

The improvement followed several structural measures, including the separation of credit and recovery functions, deployment of Branch Credit Managers, formation of dedicated recovery teams and tighter borrower-level underwriting. Consequently, consolidated PAR 30 (portfolio at risk, 30 days past due) declined from 7.3% in March 2025 to 5.0% in March 2026, and further to 4.4% in June 2026. X-bucket collection efficiency also improved to ~99.4% for the microfinance portfolio and 99.6% for the MSME portfolio in the last six months. Around 94% of the eligible microfinance portfolio was covered under the CGFMU scheme as on June 30, 2026, providing additional protection against eligible borrower defaults.

The sustainability of the improvement, particularly in the residual stressed joint liability group (JLG) portfolio, MSME portfolio, and the rapidly growing, relatively less-seasoned individual business loan (IBL) portfolio, remains a key rating monitorable.

Relatively high cost of borrowings

The group raises funds independently through AFSL and NFL from banks, financial institutions, and capital markets. Its funding sources include term loans, NCDs, overdraft facilities, and direct assignment transactions. While the group has demonstrated adequate access to funding, its borrowing costs remain relatively high compared to peers.

The incremental cost of borrowing stood at ~11.7% in Q1FY27, reflecting the group's dependence on capital-market instruments and institutional funding. Ability to diversify funding sources, increase the share of lower-cost bank borrowings, and sustainably reduce borrowing costs will be critical for supporting profitability and funding future growth.

Concentration in unsecured lending and regulatory and event-based risks

Microfinance and MSME loans together accounted for ~94% of consolidated AUM as on June 30, 2026. These portfolios are predominantly unsecured, exposing the group to borrower cash-flow volatility, over-indebtedness, and changes in repayment behaviour, with limited recovery recourse during the default.

The group is also exposed to regulatory changes governing borrower indebtedness, pricing, qualifying assets, and collection practices in the microfinance sector. Its operations remain susceptible to socio-political intervention, local disruptions, natural calamities, economic shocks, and expectations of loan waivers, which may weaken repayment discipline and affect asset quality and profitability.

While CGFMU coverage provides protection against eligible defaults, it does not eliminate underwriting, collection and claim-realisation risks. The group's ability to maintain disciplined customer selection, prudent growth, and collection performance across geographies and credit cycles will remain a key rating monitorable.

Liquidity: Adequate

The group's liquidity position remains adequate. As on June 30, 2026, consolidated unencumbered cash and liquid investments stood at ₹269 crore (comprising ₹193 crore at AFSL and ₹76 crore at NFL), unavailed sanctioned lines of ₹300 crore, provides adequate cover against scheduled principal and interest repayments of ₹331 crore during July-September 2026. The structural liquidity statements of AFSL and NFL reflected positive cumulative mismatches across all maturity buckets up to one year. The group also had funding proposals of ~₹520 crore in the pipeline, of which ₹130 crore was already sanctioned and undrawn, providing additional financial flexibility.

NFL had free cash and liquid investments of ₹76 crore and unavailed sanctioned lines of ₹280 crore, providing adequate coverage against its scheduled principal repayments of ₹192 crore during July-September 2026.

Environment, social, and governance (ESG) risks

Not applicable

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector
Non Banking Financial Companies
Withdrawal Policy

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Non-banking financial company (NBFC)

Namra Finance Limited (NFL)

NFL is a wholly owned subsidiary of AFSL and a Reserve Bank of India (RBI) registered non-banking financial company-microfinance institution (NBFC-MFI). The Arman Group entered the microfinance business in 2010, and operations were subsequently transferred to NFL. Following the introduction of a separate regulatory category for MFIs, NFL became the first entity in India to obtain an NBFC-MFI licence on February 14, 2013.

NFL primarily provides JLG loans to women borrowers and individual business loans to microfinance customers for income-generating and small business activities. As part of the Arman Group, NFL benefits from AFSL's established operating experience, management oversight, and institutional support.

NFL

Brief Financials (₹ crore)	31-03-2025	31-03-2026	Q1FY27 (UA)
	A	A	UA
Total income	552	433	138
Profit after tax (PAT)	8	13	30
Assets under management (AUM)	1,686	1,999	2,167
On-book gearing (x)	1.4	1.8	1.9
AUM / tangible net-worth (TNW) (x)	2.7	3.2	3.3
Gross non-performing assets (NPA) / gross stage 3 (%)	3.3	3.5	2.6
Return on managed assets (ROMA) (%)	0.3	0.6	5.1
Capital adequacy ratio (CAR) (%)	48.5	41.0	38.8

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

Arman Financial Services Limited (AFSL)

Incorporated in 1992, AFSL is an RBI-registered, non-deposit-taking NBFC listed on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). The company commenced operations in bill discounting and machinery leasing before diversifying into two-wheeler financing in 1998. Over the years, AFSL has expanded its product portfolio to include MSME financing, loans against property and, more recently, solar financing for residential customers and small businesses in semi-urban and rural areas. Founded by late Jayendra Patel, AFSL is currently led by Aalok Jayendra Patel, Chairman and Managing Director, supported by an experienced senior management team.

AFSL undertakes its microfinance business through its wholly owned subsidiary, NFL.

AFSL Consolidated

Brief Financials (₹ crore)	31-03-2025	31-03-2026	Q1FY27 (UA)
	A	A	UA
Total income	730	646	202
Profit after tax (PAT)	52	57	45
Assets under management (AUM)	2,245	2,728	2,925
On-book gearing (x)	1.5	2.0	2.1
AUM / tangible net-worth (TNW) (x)	2.7	3.0	3.1
Gross non-performing assets (NPA) / gross stage 3 (%)	3.4	3.5	2.7
Return on managed assets (ROMA) (%)	1.8	1.9	5.5
Capital adequacy ratio (CAR) (%)	44.3	36.1	36.9

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

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

For complexity level of instruments rated refer to Annexure-1.

Lender details: Annexure-4

Disclosure on facilities/instruments and name of regulators:
A list of facilities / instruments falling under the purview of financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments

Name of the Instrument	Name of the Regulator	Complexity Level	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	SEBI	Simple	Proposed	-	-	-	51.21	CARE A-; Stable
Debentures-Non Convertible Debentures	SEBI	Simple	INE229U07061	11-Mar-22	11.20%	11-Mar-27	0.00	Withdrawn
Debentures-Non Convertible Debentures	SEBI	Simple	INE229U07095	26-Jun-23	12.20%	26-Jun-28	0.00	Withdrawn
Debentures-Non	SEBI	Simple	INE229U07129	24-May-24	11.95%	08-Aug-25	0.00	Withdrawn

Name of the Instrument	Name of the Regulator	Complexity Level	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Convertible Debentures								
Debentures-Non Convertible Debentures	SEBI	Simple	INE229U07137	06-Aug-24	11.00%	24-May-26	0.00	Withdrawn

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 2026-2027	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
1	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (06-Mar-24) 2)CARE BBB+; Stable (23-Jun-23)
2	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (23-Jun-23)
3	Debentures-Non Convertible Debentures	LT	0.49	CARE A-; Stable	-	1)CARE A-; Negative (31-Dec-25) 2)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)
4	Debentures-Non Convertible Debentures	LT	0.72	CARE A-; Stable	-	1)CARE A-; Negative (31-Dec-25) 2)CARE A-; Negative (16-Jun-25)	1)CARE A-; Stable (07-Jan-25) 2)CARE A-; Stable (29-Jul-24)	1)CARE A-; Stable (06-Mar-24) 2)CARE BBB+; Stable (23-Jun-23)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2026-2027	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
							3)CARE A-; Stable (17-May-24)	
5	Debentures-Non Convertible Debentures	LT	-	-	-	1)CARE A-; Negative (31-Dec-25) 2)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)	-
6	Debentures-Non Convertible Debentures	LT	50.00	CARE A-; Stable	-	1)CARE A-; Negative (31-Dec-25) 2)CARE A-; Negative (16-Jun-25)	1)CARE A-; Stable (07-Jan-25) 2)CARE A-; Stable (29-Jul-24)	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: 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.

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About us:

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