# Arman Financial Services Limited

November 20, 2026

| Facilities/Instruments | Name of the Regulator[1] | Amount (₹ crore) | Rating[2] | Rating Action |
|---|---|---|---|---|
| Non-convertible debentures | SEBI | 20.00 | CARE A-; Stable | Assigned |
| Non-convertible debentures | SEBI | 10.12 | CARE A-; Stable | Reaffirmed |
| Non-convertible debentures | SEBI | 8.77 | CARE A-; Stable | Reaffirmed |
| Non-convertible debentures | SEBI | 52.00 | CARE A-; Stable | Reaffirmed |

Details of instruments 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.

The rating factors in the group's comfortable capitalisation, improved asset quality and profitability, and long track record of the group in microfinance and associated sectors.

The group has reported steady improvement in asset quality since Q2FY26. The consolidated gross non-performing assets (GNPA) and net NPA (NNPA) ratios improved to 2.7% and 0.9%, respectively, as on September 30, 2026, from 3.5% and 1.0%, respectively, as on March 31, 2026, 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 4.5% in September 2026. Credit costs also moderated significantly to ~3.0% in H1FY27, from ~6.0% in FY26, and 11.0% in FY25. The improvement has been supported by the 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. In addition, ~51% of microfinance portfolio and 30% of micro, small, and medium enterprise (MSME) portfolio was covered under the Credit Guarantee Fund for Micro Units (CGFMU) scheme as on September 30, 2026, providing additional protection against borrower defaults.

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 ₹97 crore in H1FY27, against a loss of ₹7 crore in H1FY26, with annualised ROTA increasing to 6.4%, primarily due to the moderation in credit costs. CareEdge Ratings expects Arman Group to sustain its improved profitability levels in FY27, supported by benign credit costs. The group's ability to sustain lower credit costs over the medium-to-longer term, as the business scales up, will be a key monitorable.

The group recorded healthy business growth, with consolidated assets under management (AUM) increasing by 50.6% YoY to ₹3,209 crore as on September 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 ₹1,009 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 ~11.3% in Q2FY27. Ratings also remain constrained by the concentration of the loan book in microfinance and MSME loans, which together accounted for ~93% of consolidated AUM as on September 30, 2026. The predominantly unsecured nature of these segments exposes the group to borrower vulnerability, external disruptions, 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.

[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 the ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

## 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:** Consolidated.
CareEdge Ratings has analysed the consolidated business and financial risk profiles of AFSL and its wholly owned subsidiary, NFL, considering the strong managerial, operational, and financial linkages between the two entities. Consolidated entities are given under Annexure-5.

**Outlook:** Stable
Stable outlook on long-term rating of AFSL 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 ₹1,009 crore as on September 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 ₹2,136 crore as on September 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 50.6% year-on-year (y-o-y) to ₹3,209 crore as on September 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 H1FY27, with PAT increasing to ₹97 crore from a loss of ₹7 crore in H1FY26, supported by a 43% increase in net interest income to ₹252 crore and a reduction in provisions to ₹45 crore from ₹105 crore. With credit costs moderating to ~3.0%, annualised ROTA improved to ~6.4%.

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 0.9%,

respectively, as on September 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 4.5% in September 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 51% of microfinance portfolio and 30% of MSME portfolio was covered under the CGFMU scheme as on September 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, non-convertible debentures (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 ~11.3% in Q2FY27, reflecting the group's dependence on capital-market instruments and institutional funding. The group's 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 ~93% of consolidated AUM as on September 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 in 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 September 30, 2026, consolidated unencumbered cash and bank balances, liquid investments, and undrawn cash credit limit stood at ₹334 crore (comprising ₹146 crore at AFSL and ₹188 crore at NFL), unavailed sanctioned lines of ₹255 crore from existing lenders, provides adequate cover against scheduled principal and interest repayments of ~₹252 crore from October to December 2026. The structural liquidity statements of AFSL and NFL reflected positive cumulative mismatches across all maturity buckets up to one year.

On a standalone basis, AFSL had free cash and liquid investments of ₹146 crore, providing adequate coverage against its scheduled principal repayments of ₹70 crore from October-December 2026.

## Environment, social, and governance (ESG) risks

Not applicable

## Applicable criteria

Definition of Default
Consolidation
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 | Non-banking financial company (NBFC) |

**Arman Financial Services Limited (AFSL)**
Incorporated in 1992, AFSL is a Reserve Bank of India (RBI) registered, non-deposit-taking non-banking financial company (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 | H1FY27 (UA) |
|---|---|---|---|
| | A | A | UA |
| Total income | 730 | 646 | 436 |
| Profit after tax (PAT) | 52 | 57 | 97 |
| Assets under management (AUM) | 2,245 | 2,728 | 3,209 |
| On-book gearing (x) | 1.5 | 2.0 | 2.1 |
| AUM / tangible net-worth (TNW) (x) | 2.7 | 3.0 | 3.2 |
| Gross non-performing assets (NPA) / gross stage 3 (%) | 3.4 | 3.5 | 2.7 |
| Return on managed assets (ROMA) (%) | 1.8 | 1.9 | 5.6 |
| 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:** 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 | - | - | - | 48.89 | CARE A-; Stable |
| Debentures-Non-convertible debentures | SEBI | Simple | INE109C07113 | 01-Jul-2025 | 11.10 | 01-Jul-2030 | 42.00 | CARE A-; Stable |

**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)<br><br>2)CARE BBB+; Stable (05-Apr-23) |
| 2 | Debentures-Non-convertible debentures | LT | 10.12 | CARE A-; Stable | 1)CARE A-; Stable (22-Oct-26) | 1)CARE A-; Negative (31-Dec-25)<br><br>2)CARE A-; Negative (16-Jun-25) | 1)CARE A-; Stable (07-Jan-25) | 1)CARE A-; Stable (06-Mar-24)<br><br>2)CARE BBB+; Stable (05-Apr-23) |
| 3 | Debentures-Non-convertible debentures | LT | 8.77 | CARE A-; Stable | 1)CARE A-; Stable (22-Oct-26) | 1)CARE A-; Negative (31-Dec-25)<br><br>2)CARE A-; Negative (16-Jun-25) | 1)CARE A-; Stable (07-Jan-25) | 1)CARE A-; Stable (06-Mar-24)<br><br>2)CARE BBB+; Stable (05-Apr-23) |
| 4 | Debentures-Non-convertible debentures | LT | 52.00 | CARE A-; Stable | 1)CARE A-; Stable (22-Oct-26) | 1)CARE A-; Negative (31-Dec-25)<br><br>2)CARE A-; Negative | - | - |

| 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 |
| | | | | | | (16-Jun-25) | | |
| 5 | Debentures-Non-convertible debentures | LT | 20.00 | CARE A-; Stable | | | | |

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 |
|---|

**Annexure-5: List of entities consolidated**

| Sr. No. | Name of the entity | Extent of consolidation | Rationale for consolidation |
|---|---|---|---|
| 1 | NFL | Full | Wholly owned subsidiary |

**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<br>Director<br>**CARE Ratings Limited**<br>Phone: +91-22-6754 3596<br>E-mail: mradul.mishra@careedge.in | Priyesh Ruparelia<br>Director<br>**CARE Ratings Limited**<br>Phone: +91-22-6754-3593<br>E-mail: Priyesh.ruparelia@careedge.in |
| **Relationship Contact**<br><br>Saikat Roy<br>Senior Director<br>**CARE Ratings Limited**<br>Phone: +91-22-6754 3404<br>E-mail: saikat.roy@careedge.in | Shreekiran Rao<br>Director<br>**CARE Ratings Limited**<br>Phone: +91-22-6754-3405<br>E-mail: Shreekiran.rao@careedge.in<br><br>Ravi Nayak<br>Assistant Director<br>**CARE Ratings Limited**<br>E-mail: ravi.nayak@careedge.in |

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