

July 07, 2025

InCred Financial Services Limited: Provisional ratings assigned to PTCs backed by a pool of personal loan receivables issued by Pinaka June 2025

Summary of rating action

Trust name	Instrument*	Rated amount (Rs. crore)	Rating action
Pinaka June 2025	PTC Series A1	66.66	Provisional [ICRA]AAA(SO); Assigned
	PTC Series A2	2.41	Provisional [ICRA]AA+(SO); Assigned

*Instrument details are provided in Annexure I

Rating in the absence of pending actions/documents	No ratings would have been assigned as it would not be meaningful
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Rationale

The pass-through certificates (PTCs) are backed by a pool of personal loan (PL) receivables originated by InCred Financial Services Limited {(IFSL/Originator; rated [ICRA]AA-(Stable)/[ICRA]A1+)} with an aggregate principal outstanding of Rs. 80.32 crore (pool receivables of Rs. 111.46 crore). IFSL would be acting as the servicer for the transaction.

The provisional ratings are based on the strength of the cash flows from the selected pool of contracts, the credit enhancement available in the structure as well as the integrity of the legal structure. The provisional ratings are subject to the fulfilment of all the conditions under the structure and ICRA's review of the documentation pertaining to the transaction.

Transaction structure

As per the transaction structure, the collections from the pool, after making the promised interest payouts to PTC Series A1, will be used to make the expected principal payouts to PTC Series A1, followed by the expected interest payout to PTC Series A2. Post the maturity of PTC Series A1, interest payouts will be promised to PTC Series A2 and all excess cash flows, after meeting the promised interest PTC Series A2 payouts, will be passed on for the expected PTC Series A2 principal payout. The entire principal repayment to PTC Series A1 and PTC Series A2 is promised on the scheduled maturity date. 50% of the excess interest spread (EIS) available after meeting the expected and promised PTC payments will be passed on to the investor and the balance would leak out to originator (in case there are no EIS trigger events). In case of an EIS trigger event, the EIS available will be used for accelerated redemption of PTC Series A1 (until PTC Series A1 are outstanding) and post that for redemption of PTC Series A2.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 7.00% of the initial pool principal, amounting to Rs. 5.62 crore, to be provided by the Originator, (ii) principal subordination of 17.00% of the initial pool principal for PTC Series A1 and 14.00% of the initial pool principal for PTC Series A2, and (iii) the EIS of 30.69% of the initial pool principal for PTC Series A1 and 30.03% of the initial pool principal for PTC Series A2.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The pool is granular, consisting of 3,549 obligors, with top 10 obligors forming only 1.1% of the initial pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC, subordination and EIS would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts.

No overdue contracts in the pool – The pool has been filtered in such a manner that there are no overdue contracts as on the cut-off date. Also none of the contracts have ever been overdue since origination.

Strong CIBIL score of the underlying borrowers – All the borrowers in the pool have a minimum CIBIL score of 700 and ~54% of borrowers have a CIBIL score of more than or equal to 750 which signifies a strong credit history of such borrowers.

Adequate servicing capability of the originator – The company has adequate processes for servicing of the loan accounts in the securitised pool. It has a moderate track record of almost 4 years of regular collections across a wide geography.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz Maharashtra, Tamil Nadu and Karnataka, contributing 67% to the pool principal amount. The performance of the pool would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

Risks associated with lending business – The pool's performance would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans. The pool is exposed to the inherent credit risk associated with the unsecured nature of the asset class and that recovery from delinquent contracts tends to be lower.

Key rating assumptions

ICRA's cash flow modelling for rating securitisation transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator's loan portfolio as well as the characteristics of the specific pool being evaluated. The resulting collections from the pool, after incorporating the impact of the losses and prepayments, are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction.

For the current pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 5.75% of the pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 5% to 18% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final rating for the instrument.

Liquidity position: Superior

The liquidity for PTC Series A1 and PTC Series A2 is superior after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be more than 7 times the estimated loss in the pool for PTC Series A1 and for PTC Series A2 the total credit enhancement would be 6.75 times the estimated loss in the pool.

Rating sensitivities

Positive factors – Not applicable for PTC Series A1. For PTC Series A2, the rating could be upgraded on strong collection performance of the underlying pool (monthly collection efficiency >95%) on a sustained basis, leading to the build-up of credit enhancement cover for the remaining payouts.

Negative factors – Pressure on the ratings could emerge on any sustained weak collection performance (monthly collection efficiency <90%) of the underlying pool leading to higher-than-expected delinquency levels and credit enhancement utilisation levels. Weakening in the credit profile of the servicer (IFSL) could also exert pressure on the ratings.

Analytical approach

The rating action is based on the analysis of the performance of IFSL's PL loan portfolio till March 2025, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the credit enhancement cover available in the transaction.

Analytical approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned rating is provisional and would be converted into final upon the execution of:

1. Trust deed
2. Assignment agreement
3. Power of Attorney
4. Information Memorandum
5. Any other documents executed for the transaction

Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at www.icra.in.

About the originator

InCred Financial Services Limited (IFSL; erstwhile KKR India Financial Services Limited or KIFSL) is a non-banking financial company (NBFC) registered with the Reserve Bank of India (RBI). In FY2023, the erstwhile IFSL was merged with KIFSL, becoming a 100% subsidiary of InCred Holdings Limited (IHL; erstwhile KKR Capital Markets Private Limited, the holding company of KIFSL). The merged entity (i.e. KIFSL) was subsequently renamed InCred Financial Services Limited. The shareholders of the erstwhile IFSL became IHL's shareholders.

The company's registered office is in Mumbai. It provides personal loans, education loans, school financing, LAP, loans to financial institutions and anchor & escrow-backed business loans. As of December 2024, IFSL had operations in 16 states with 120 branches.

Key financial indicators (standalone; audited)

IFSL	FY2023	FY2024	Q1 FY2025*
Total income	876	1,292	392
Profit after tax	121	315	93
Total managed assets	7,356	10,471	10,693
Gross stage 3	2.1%	2.1%	2.1%
CRAR	33.4%	30.4%	32.1%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

S. no.	Trust name	Current rating (FY2026)			Chronology of rating history for the past 3 years		
		Instrument	Amount rated (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
				July 07, 2025			
1	Pinaka June 2025	PTC Series A1	66.66	Provisional [ICRA]AAA(SO)	-	-	-
		PTC Series A2	2.41	Provisional [ICRA]AA+(SO)			

Complexity level of the rated instrument

Instrument	Complexity indicator
PTC Series A1	Moderately Complex
PTC Series A2	Moderately Complex

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

Trust name	Instrument name	Date of issuance/ Sanction	Coupon rate (p.a.p.m.)	Maturity date	Amount rated (Rs. crore)	Current rating
Pinaka June 2025	PTC Series A1	June 30, 2025	9.05%	October 10, 2029	66.66	Provisional [ICRA]AAA(SO)
	PTC Series A2		9.75%		2.41	Provisional [ICRA]AA+(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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