

May 26, 2025

## InCred Financial Services Limited: Rating confirmed as final for PTCs backed by personal loan receivables issued by Invictus March-2025

### Summary of rating action

Trust name	Instrument*	Current rated amount (Rs. crore)	Rating action
Invictus March-2025	PTC Series A1	99.97	[ICRA]AA+(SO); provisional rating confirmed as final

\*Instrument details are provided in Annexure I

### Rationale

In March 2025, ICRA had assigned Provisional [ICRA]AA+(SO) rating to Pass Through Certificate (PTC) Series A1, issued by Invictus March-2025. The PTCs are backed by personal loan receivables originated by InCred Financial Services Limited {(IFSL/Originator; rated [ICRA]AA-(Stable)/[ICRA]A1+)} with an aggregate principal outstanding of Rs. 112.33 crore (pool receivables of Rs. 159.25 crore). IFSL is also the servicer of the rated transaction.

Since the executed transaction documents are in line with the rating conditions and the legal opinion for the transaction has been provided to ICRA, the said rating has now been confirmed as final.

### Pool performance summary

Parameter	Invictus March-2025
Payout month	May 2025
Months post securitisation	1
Pool amortisation	6.6%
PTC Series A1 amortisation	8.1%
Cumulative prepayment rate	4.6%
Cumulative collection efficiency <sup>1</sup>	99.8%
Loss-cum 0+ days past due (dpd) <sup>2</sup>	0.2%
Loss cum 30+ dpd <sup>3</sup>	0.0%
Loss cum 90+ dpd <sup>4</sup>	0.0%
Cumulative cash collateral utilisation	0.0%

### Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. A part (75%) of the excess interest spread (EIS), after meeting the promised and expected payouts, will be used for the prepayment of the PTC Series A principal while the balance (25%) will flow back to the Originator on a monthly basis (in case there are no EIS trigger events). In case of an EIS trigger event, the entire EIS available will be used for accelerated redemption of PTC Series A1. Any prepayment in the pool would be used for the prepayment of PTC Series A1 principal.

<sup>1</sup> (Cumulative current collections and overdue collections) / (Cumulative billings + Opening overdues at the time of securitisation)

<sup>2</sup> Unbilled and overdue principal portion of delinquent contracts, as a % of Initial pool principal

<sup>3</sup> Unbilled and overdue principal portion of contracts delinquent for more than 30 days, as a % of Initial pool principal

<sup>4</sup> Unbilled and overdue principal portion of contracts delinquent for more than 90 days, as a % of Initial pool principal

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 9.00% of the initial pool principal, amounting to Rs. 10.11 crore, to be provided by the Originator, (ii) principal subordination of 11.00% of the initial pool principal for PTC Series A1, and (iii) the EIS of 31.36% of the initial pool principal for PTC Series A1.

## Key rating drivers and their description

### Credit strengths

**Granular pool supported by presence of credit enhancement** – The pool as on cut-off date is granular, consisting of 4,582 obligors, with top 10 obligors forming only 0.5% 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 ~67% of borrowers have a CIBIL score of more than or equal to 750 as on pool cut-off date 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 7 years of regular collections across a wide geography.

### Credit challenges

**High geographical concentration** – The pool as on cut-off date has high geographical concentration with the top 3 states, viz Maharashtra, Tamil Nadu and Telangana, contributing 71% 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 5.50% 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 18.0% 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 CE to arrive at the final rating for the instrument.

## Details of key counterparties

The key counterparties in the rated transaction are as follows:

Transaction Name	Invictus March-2025
Originator	InCred Financial Services Limited
Servicer	InCred Financial Services Limited
Trustee	Catalyst Trusteeship Limited
CC holding bank	ICICI Bank
Collection and payout account bank	ICICI Bank

## Liquidity position: Superior

The liquidity for PTC Series A1 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.

## Rating sensitivities

**Positive factors** –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 rating 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 rating.

## Analytical approach

The rating action is based on the trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

## 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

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

Trust name	Current rating (FY2026)				Chronology of rating history for the past 3 years		
	Instrument	Initial rated amount (Rs. crore)	Current rated amount (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
				May 26, 2025	March 27, 2025	-	-
Invictus March-2025	PTC Series A1	99.97	99.97	[ICRA]AA+(SO)	Provisional [ICRA]AA+(SO)	-	-

### Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A1	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 type	Date of issuance / Sanction	Coupon rate (p.a.p.m.)	Maturity date	Current rated amount (Rs. crore)	Current rating
<b>Invictus March-2025</b>	PTC Series A1	March 20, 2025	9.25%	September 08, 2028	99.97	[ICRA]AA+(SO)

Source: Company

#### Annexure II: List of entities considered for consolidated analysis

Not Applicable

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## ICRA Limited

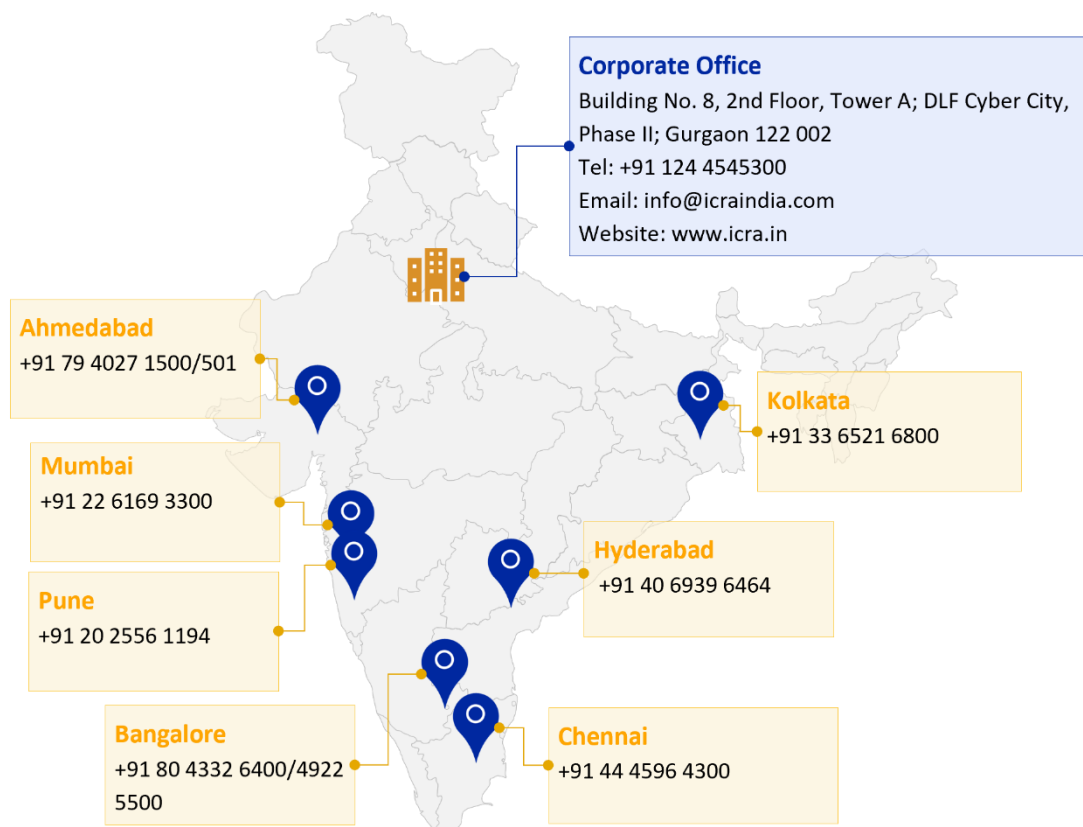


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