June 25, 2025

Muthoot Capital Services Limited: Provisional ratings assigned to PTCs backed by a pool of two-wheeler loans receivables

Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
Summit 2025	PTC Series A1a	52.15	Provisional [ICRA]AAA(SO); Assigned
	PTC Series A1b	52.15	Provisional [ICRA]A(SO); Assigned
	PTC Series A2	5.79	Provisional [ICRA]BBB+(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**

Rationale

The pass-through certificates (PTCs) are backed by a pool of two-wheeler loan receivables originated by Muthoot Capital Services Limited (MCSL/Originator; rated [ICRA]A+(Stable)) with an aggregate principal outstanding of Rs. 115.90 crore (pool receivables of Rs. 143.66 crore). MCSL 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, both PTC Series A1a and PTC Series A1b investors will receive the promised interest payouts each month on pari-passu basis. All the principal collections including prepayments would be passed on to PTC Series A1a on an expected basis till the 'attachment month'. The 'attachment month' is defined as December 2026, the month till which the pool principal billing would be 1.6 times the PTC Series A1a principal. Post the attachment month, all principal collections including prepayments would be passed on to both series of PTC Series A1 on a pari-passu basis. The principal is promised to the investors for both series of PTCs (PTC Series A1a and PTC Series A1b) on the legal final maturity date of the tranches. PTC Series A2 is subordinated to both PTC Series A1a and PTC Series A1b and promised both interest and principal on the legal final maturity date of the tranche.

The credit enhancement for PTC Series A1a is available in the form of pool principal cover of 1.6 times over the PTC Series A1a principal and pool cashflow cover of ~2.0 times over the PTC Series A1a cashflows till the attachment month. For PTC Series A1b the credit enhancement is available in the form of subordination of 10.00% of the initial pool principal and for PTC Series A2 there is subordination to the extent of 5.00% of pool principal. In addition, there is excess interest spread (EIS) of 15.66% for both PTC Series A1a and PTC Series A1b and EIS of 14.45% for PTC Series A2. Further credit enhancement is available in the structure in the form of a CC of 5.00% of the initial pool principal, amounting to Rs. 5.79 crore, to be provided by the Originator (MCSL). The CC will be used to meet shortfalls in promised payouts to PTC investors.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The pool is granular (no obligor has more than 0.02% share in the initial pool) thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of CC, subordination and EIS would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts. Further as per the transaction structure, PTC Series A1a would receive principal collections till the attachment month and thus the pool cashflow cover over PTC Series A1a payouts is significantly high that supports the rating assigned to PTC Series A1a.

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.

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

Credit challenges

Higher share of high LTV contracts - The proportion of contracts with a loan-to-value (LTV) ratio of more than 80% is high at ~77% (in terms of the principal amount outstanding on the cut-off date). Borrowers with high LTV loans are more likely to default and are sensitive to economic downturns.

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.

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 3% to 9% 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

Liquidity position: Superior for PTC Series A1a

The liquidity for PTC Series A1a 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.

Liquidity position: Strong for PTC Series A1b and PTC Series A2

The liquidity is strong for PTC Series A1b and PTC Series A2 after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement is ~4 times and ~3 times the estimated loss in the pool for Series A1b and Series A2 respectively.

Rating sensitivities

Positive factors – Not applicable for PTC Series A1a. For PTC Series A1b and PTC Series A2, the sustained strong collection performance of the underlying pool of contracts (monthly collection efficiency >95%), leading to lower-than-expected delinquency levels, and an increase in the cover available for future investor payouts from the credit enhancement would result in a ratings upgrade.

Negative factors – The sustained weak collection performance of the underlying pool of contracts (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a rating downgrade. Weakening in the credit profile of the servicer (MCSL) could also exert pressure on the rating.

Analytical approach

The rating action are based on the analysis of the performance of MCSL's 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 ratings are provisional and would be converted into a final rating upon the execution of:

1. Trust deed
2. Assignment agreement
3. Power of Attorney
4. Legal opinion
5. Trustee letter
6. KYC Chartered Accountant's certificate
7. 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

Established in 1994 by the Muthoot Pappachan Group, Muthoot Capital Services Limited is a deposit-taking non-banking financial company (NBFC) registered with the Reserve Bank of India. As an NBFC under the Group, it offers retail finance products, primarily two-wheeler loans, along with finance for used cars, three-wheelers, and other commercial vehicles (CVs). It also provides business loans to corporates and investment products in the form of fixed deposits through the network of branches of Muthoot Fincorp Limited, dealership points and various other means. As of December 2024, the company had operations across 338 districts in 22 states.

MCSL's equity shares have been listed on the BSE since April 1995 and on the NSE since August 2015. As of December 2024, the promoters together held a 62.6% stake in the company.

Key Financial Indicators (audited)

Muthoot Capital Services Limited (standalone)	FY2023	FY2024	FY2025
Interest income	440.6	396.1	471.7
Profit after tax	78.7	122.7	46.3
Total assets	3,257.3	2,479.6	3,584.5
Gross stage 3	20.6%	10.2%	4.9%
CRAR	27.8%	31.3%	22.4%

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

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	Amount Rated (Rs. crore)	Date & Rating in FY2026	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023
			June 25, 2025	-	-	-
Summit 2025	PTC Series A1a	52.15	Provisional [ICRA]AAA(SO)	-	-	-
	PTC Series A1b	52.15	Provisional [ICRA]A(SO)			
	PTC Series A2	5.79	Provisional [ICRA]BBB+(SO)			

Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A1a	Moderately Complex
PTC Series A1b	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

ISIN	Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Amount Rated (Rs. crore)	Current Rating
NA	Summit 2025	PTC Series A1a	June 16, 2025	8.65%	November 23, 2028	52.15	Provisional [ICRA]AAA(SO)
NA		PTC Series A1b	June 16, 2025	10.00%	November 23, 2028	52.15	Provisional [ICRA]A(SO)
NA		PTC Series A2	June 16, 2025	11.00%	November 24, 2028	5.79	Provisional [ICRA]BBB+(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

ANALYST CONTACTS

Manushree Saggar
+91 124 4545316
manushrees@icraindia.com

Sachin Joglekar
+91 22 6114 3470
sachin.joglekar@icraindia.com

Gaurav Mashalkar
+91 22 6114 3431
gaurav.mashalkar@icraindia.com

Mrugesh Trivedi
+91 22 6114 3436
mrugesh.trivedi@icraindia.com

Arijit Datta
+91 22 6114 3472
arijit.datta@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar
+91 22 6169 3304
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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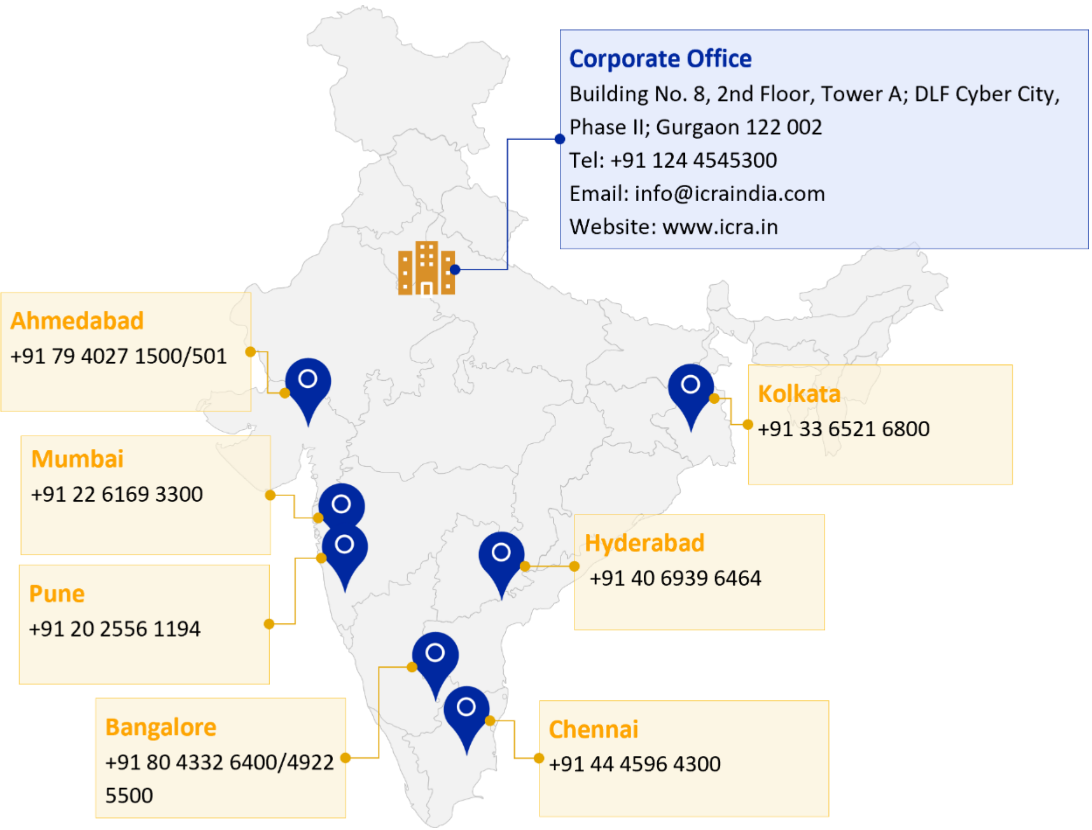
For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



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