

June 30, 2025

Annapurna Finance Private Limited: Provisional [ICRA]AA+(SO) assigned to PTCs backed by microfinance loan receivables issued by Vega 06 2025

Summary of rating action

Trust name	Instrument*	Current rated amount (Rs. crore)	Rating action
Vega 06 2025	Series A1 PTCs	100.00	Provisional [ICRA]AA+(SO); assigned

*Instrument details are provided in Annexure I

Rating in the absence of pending actions/documents	No rating 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 microfinance loan receivables originated by Annapurna Finance Private Limited {Annapurna/Originator; rated [ICRA]A- (Stable)} with an aggregate principal outstanding of Rs. 114.29 crore (pool receivables of Rs. 136.80 crore).

The provisional rating is 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 rating is 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 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. Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of the Series A1 PTCs principal.

However, on the occurrence of predefined trigger events, the entire residual EIS every month shall be utilised for accelerating the principal payment due to Series A1 PTC till its full redemption. The event is triggered on the breach on any of the following conditions (i) the 90+ dpd¹ of the pool crosses 3.0% of the closing pool principal in any payout month; (ii) the rating of the PTCs is downgraded by a notch; (iii) the Originator's rating is downgraded by a notch; or (iv) the net non-performing assets (NNPAs) of the Originator exceeds 3.5%.

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. 8.00 crore, to be provided by the Originator, (ii) over-collateralisation (OC) of 12.50% of the initial pool principal for Series A1 PTCs, and (iii) the EIS of 14.05% of the initial pool principal for Series A1 PTCs.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The pool is granular, consisting of 25,977 contracts, with no single borrower exceeding 0.1% of the pool principal, thereby reducing the exposure to any single borrower. Further, the credit

¹ Days past due

enhancement available in the form of the CC, subordination in the form of OC, and the EIS would absorb some 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 were no overdue contracts as on the cut-off date. Further, the entire pool principal comprises borrowers who have never been delinquent since disbursement, which is a credit positive.

Seasoned contracts in the pool – The pool had high amortisation of ~21% as on the cut-off date, reflecting the better credit profile of the borrowers, repayment track record and buildup of borrower equity.

Adequate servicing capability of Annapurna – Annapurna, which would also be servicing the loans in the transaction, has an established track record of over two decades in the microfinance lending business and has adequate underwriting policies and collection procedures.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz. Bihar, Madhya Pradesh and Uttar Pradesh, contributing ~51% to the initial pool principal amount. Its performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc. Nonetheless, the contracts are well-diversified across multiple districts with the top 10 districts not exceeding 20% of the pool amount, alleviating the concentration risk to some extent.

Increasing delinquencies in microfinance sector – The microfinance sector witnessed a decline in collections and a consequent rise in delinquencies last fiscal on account of multiple factors like heat waves, general elections, borrower overleveraging and attrition in the collection teams. The sustained impact, if any, of these factors on the collections from the pool would be a key monitorable.

Risks associated with lending business – The pool's performance would remain exposed to macroeconomic 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 performance of microfinance loans would also be exposed to political and communal risks.

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 based on 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 4.25% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 3.0% to 9.0% 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 credit enhancement to arrive at the final rating for the instrument.

Liquidity position: Superior

The liquidity for Series A1 PTCs is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~6.50 times the estimated loss in the pool.

Rating sensitivities

Positive factors – 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 rating 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 could also exert pressure on the rating.

Analytical approach

The rating action is based on the analysis of the performance of Annapurna's 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	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 a final rating upon the execution of:

1. Trust deed
2. Assignment agreement
3. Legal opinion
4. Trustee letter
5. Chartered Accountant's know your customer (KYC) certificate
6. 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

Annapurna Finance Private Limited (Annapurna), formerly known as Annapurna Microfinance Private Limited (AMPL), was formed by People's Forum, a society registered in Odisha. People's Forum has been engaged in various socio-economic development programmes, including microfinance, since 1990. In November 2009, People's Forum acquired a non-banking financial company (NBFC), Gwalior Finance and Leasing Company Private Limited, which was renamed AMPL in February 2010.

Annapurna provides microcredit for mostly income-generating activities to women, using the group lending model. It also offers other products such as individual loans to provide financial assistance to the micro, small and medium enterprise (MSME) segment, home and home improvement loans, consumer durable loans, etc. As on March 31, 2025, Annapurna was catering to more than 29 lakh borrowers through a network of 1,636 branches spread across 439 districts in 21 states while managing a portfolio of Rs. 11,034 crore.

Key financial indicators (audited)

Annapurna	FY2023	FY2024	FY2025
Total income	1,570	2,074	2,183
Profit after tax	33	232	69
Total managed assets	11,184	12,033	12,585
Gross stage 3	4.0%	2.9%	2.7%
CRAR	24.7%	25.5%	29.6%

Source: Company, ICRA Research; 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	Instrument	Current rating (FY2026)		Chronology of rating history for the past 3 years			
		Current amount rated (Rs. crore)	Amount outstanding (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
				June 30, 2025			
Vega 06 2025	Series A1 PTCs	100.00	100.00	Provisional [ICRA]AA+(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity indicator
Series A1 PTCs	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	Date of issuance/ Sanction	Coupon rate (p.a.p.m.)	Maturity date	Amount rated (Rs. crore)	Current rating
Vega 06 2025	Series A1 PTCs	June 30, 2025	8.50%	April 17, 2027	100.00	Provisional [ICRA]AA+(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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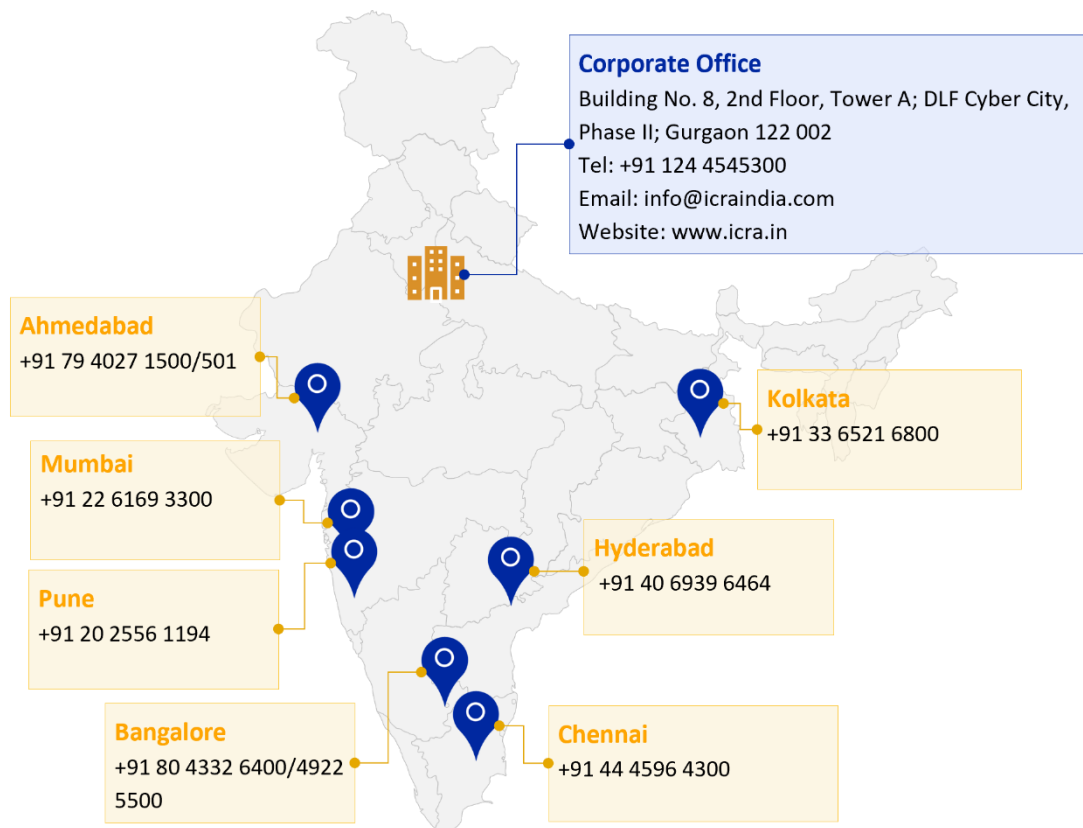


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