

July 29, 2025

Midland Microfin Limited: Provisional [ICRA]A+(SO) assigned to PTCs backed by microfinance loan receivables issued by Adhira 07 2025

Summary of rating action

Trust name	Instrument*	Current rated amount (Rs. crore)	Rating action
Adhira 07 2025	Series A1 PTCs	28.93	Provisional [ICRA]A+(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 Midland Microfin Limited (Midland/Originator) with an aggregate principal outstanding of Rs. 33.64 crore (pool receivables of Rs. 40.28 crore). Midland would also act as the servicer for the transaction.

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 provisional 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 redemption of the Series A1 PTCs principal.

However, on the occurrence of predefined trigger events, the 100% residual EIS every month shall be utilised for accelerating the principal payment due to Series A1 PTCs. The event is triggered on breach on any of the following conditions (i) The Current Collection Efficiency in respect of the Pool is less than 93% for any 2 consecutive payouts and/or, (ii) The PAR>90 of the Pool is more than 7.00% of the Initial Principal Outstanding.

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. 2.35 crore, to be provided by the Originator, (ii) principal subordination/over-collateralisation (OC) of 14.00% of the initial pool principal for Series A1 PTCs, and (iii) the EIS of 13.69% 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 10,071 contracts, with top 10 obligors forming less than 1.00% of the pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC, overcollateral and EIS would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts.

Seasoned contracts in the pool – The pool has amortised by almost ~27.4% as on the cut-off date with no delinquencies observed in any of the contracts, post loan disbursement, thereby reflecting the borrowers' relatively better credit profile.

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. Further, none of the contracts in the pool have ever been delinquent, which is a credit positive.

Adequate servicing capability of Midland– The originator has adequate processes for servicing of the loan accounts in the securitised pool. It has demonstrated a considerable track record of over a decade of regular collections across geographies and multiple economic cycles

Credit challenges

High geographical concentration - The pool has high geographical concentration with the top 3 states, viz. Rajasthan, Uttar Pradesh and Bihar contributing ~80% to the initial pool principal amount. The concentration remains high even at district-level with top 5 districts accounting for ~15.7% of the initial pool principal amount. The pool's performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

Increasing delinquencies in microfinance sector – The microfinance sector has seen a decline in collections and consequently rise in delinquencies in the previous fiscal on account of multiple factors like heat wave, general elections, borrower overleveraging and attrition in the collection teams. Any sustained impact 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 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 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 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: Strong

The liquidity for Series A1 PTCs is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~5.25 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 Midland's microfinance 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. Legal opinion
4. Trustee letter
5. Auditor's 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

Midland Microfin Limited is a registered NBFC-MFI which started microfinance operations in January 2011. Originally, Midland was engaged in hire purchase business and had been incorporated in 1988 under the name 'Sajan Hire Purchase Pvt Ltd'. Sajan Hire Purchase was acquired by Mr. Amardeep Singh Samra's Midland Group in 2010 since Mr. Samra wanted to venture into microfinance. The company got registered with the Reserve Bank of India (RBI) as a non-banking finance company – microfinance institution (NBFC-MFI) in January 2015.

As on June 30, 2025, the company is in 12 states and 2 union territories (UT) of India with 526 branches across 229 districts, with assets under management (AUM) of Rs. 2,226 crores.

Key financial indicators (audited)

Midland	FY2023	FY2024	FY2025
Total Income	394.91	532.76	636.45
Profit after tax	72.15	46.83	26.67
Total managed assets (In Cr)	335.01	531.16	148.3
Gross NPA	0.06%	2.97%	1.47%
CRAR	28.44%	28.34%	31.41%

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

Current rating (FY2026)				Chronology of rating history for the past 3 years		
Trust name	Instrument	Amount rated (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
			July 29, 2025	-	-	-
Adhira 07 2025	Series A1 PTCs	28.93	Provisional [ICRA]A+(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 name	Date of issuance/ Sanction	Coupon rate (p.a.p.m.)	Maturity date	Amount rated (Rs. crore)	Current rating
Adhira 07 2025	Series A1 PTCs	July 25, 2025	10.90%	February 18, 2027	28.93	Provisional [ICRA]A+(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Manushree Saggar

+91 124 4545 316

manushrees@icraindia.com

Sumit Pramanik

+91 22 6114 3462

sumit.pramanik@icraindia.com

Tina Parekh

+91 22 6114 3455

tina.parekh@icraindia.com

Sachin Joglekar

+91 22 6114 3470

sachin.joglekar@icraindia.com

Shruti Jain

+91 22 6114 3416

shruti.jain2@icraindia.com

RELATIONSHIP CONTACT

Mr. L. Shivakumar

+91 22 6114 3406

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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