

September 03, 2025

Progfin Private Limited: Provisional [ICRA]A1+(SO) assigned to Series A1a PTCs, Provisional [ICRA]A1+(SO) assigned to Series A1b PTCs and Provisional [ICRA]A1(SO) assigned to Series A2 PTCs to be issued by Arceus 2025

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Arceus 2025	Series A1a PTCs	34.97	Provisional [ICRA]A1+(SO); Assigned
	Series A1b PTCs	50.15	Provisional [ICRA]A1+(SO); Assigned
	Series A2 PTCs	1.00	Provisional [ICRA]A1(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 invoice financing receivables originated by Progfin Private Limited {Progfin/Originator, rated [ICRA]BBB+(Stable)/[ICRA]A2} with an aggregate principal outstanding of Rs. 100.14 crore (pool receivables of Rs. 100.59 crore). Progfin 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, eligibility criteria for the follow-on pools, 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 tenure of the pool shall be divided into two periods – replenishment period and amortisation period.

Replenishment period

The replenishment period will be till March 17, 2026 from the transaction commencement date. During this period, on monthly basis both Series A1a PTCs and Series A1b PTCs will receive only the promised interest payouts on pari-passu basis, followed by promised interest payouts to Series A2 PTCs and the balance pool collections will be used by the trust to purchase fresh loan receivables as per the selection criteria such that the pool principal remains equal to the initial pool principal. The residual pool collections will flow back to the Originator on a monthly basis.

The transaction also entails certain trigger events for early amortisation. A breach of any of these trigger events would lead to the end of the replenishment period and the start of the amortisation period. If a trigger event occurs at any time during the replenishment period, then the tenure of the PTCs shall be reduced and be co-terminus with the remaining tenure of the pool of receivables assigned to the trust.

Amortisation period

Post the replenishment period, the residual pool collections will be utilised to repay the PTCs. The monthly cash flow schedule will comprise of the promised interest payout for Series A1a PTCs and Series A1b PTCs on a pari-passu basis followed by promised interest payout to Series A2 PTCs. All balance collections including prepayments post interest payout to PTCs would

be passed on to Series A1a PTC and Series A1b PTCs on pari passu basis flowed by that to Series A2 PTCs. The principal for all tranches of PTCs is promised on the final maturity date.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 5.00% of the aggregate amount, i.e. Rs. 5.01 crore, to be provided by the Originator, (ii) principal subordination of 15.00% of the initial pool principal for both Series A1a PTCs and Series A1b PTCs and principal subordination of 14.00% of the initial pool principal for Series A2 PTCs and (iii) the entire excess interest spread (EIS) in the structure.

Key eligibility criteria for the receivables

The key eligibility criteria shall be met on commencement of the transaction and also at each replenishment event for all the new assets being added as well as for the updated pool (as applicable)

- The Obligors should meet the MHP criteria as prescribed by the Securitisation Directions.
- Minimum Bureau Score should be 700 at the time of Origination
- Top borrower concentration to be capped at 4%
- Obligor having more than 5 days DPD in last 12 months
- Obligor should have repaid at least 5 invoices historically
- Maximum Disbursed amount for each invoice should not be greater than 25lac Invoice should be tagged as Other Industries
- Business Vintage of Borrower should be at least 12 months
- Due Date of the invoice should not be later than June 30, 2026

Key trigger events for early amortisation

The following key early amortisation triggers which will lead to end of amortisation period:

- downgrade in the rating of the PTCs by the Rating Agency;
- occurrence of a Servicer's Event of Default as specified in the Servicing Agreement;
- more than 5% of the receivables comprising the assigned assets (as defined in the Transaction Documents) are overdue for more than 15 days commencing from their respective due date (which includes any respective cure periods (as specified in the relevant Underlying Documents));
- failure to provide any instance of the Follow-on Receivables that comply with the eligibility criteria set out below such that the new/follow-on receivables provided are less than 80% of the Accumulated Amounts on any Payout Date;
- the capital adequacy ratio of the Seller falls below 20% (Twenty Percent);
- the overcollateralization ratio in the transaction falls below 105% of the initial pool principal (i.e., pool principal as of the Pool Cut Off Date in relation to the Initial Receivables); and if the First Loss Credit Enhancement Facility is drawn to make interest payments during the Replenishment Period,

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The current pool is granular and basis the eligibility criteria the follow-on pools are also expected to be granular with no obligor exceeding 4.0% of the 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.

Adequate servicing capability of the originator – The originator has adequate processes for servicing of the loan accounts in the securitised pool. It has an adequate track record of nearly three years of regular collections across multiple geographies.

Credit challenges

Moderate pool selection criteria – A potential concern pertaining to a replenishing structure is the uncertainty regarding the exact composition of the additional receivables. While the current transaction has a specified eligibility criteria the follow-on pools may have a lower interest rate contracts, contracts from weaker geographies and moderate share of lower bureau score contracts. A higher presence of lower interest rates contracts would impact the excess interest spread adversely, which acts as a credit enhancement in the structure.

Risks associated with lending business – The performance of both the initial and the follow-on pools 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. Both the initial and the follow-on pools are 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.

Exposure to Interest Rate Risk – The pool has contracts with fixed rate, while the Series A1a PTCs yield is floating and linked to 3-Month SBI MCLR . Hence, the transaction is exposed to interest rate risk and any adverse movement in the benchmark yield is likely to reduce the EIS available in the transaction

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. However, since the pool in the current transaction would be revised during the replenishment period, the characteristics of the pool would change unlike other PTC transactions where the pool is static. ICRA has used the defined eligibility criteria to arrive at a potential loss for the follow-on pools. The resulting collections from the current pool and follow on pools, 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 transaction, ICRA has estimated the shortfall in the pool principal collection during its tenure at 6.00% of the initial pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 5% to 12% 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

For Series A1a PTCs and Series A1b PTCs : Strong

The liquidity for both Series A1a PTCs and Series A1b PTCs is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~3.75 times the estimated loss in the pool for both the tranches.

For Series A2 PTCs: Strong

The liquidity for Series A2 PTCs is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~3.5 times the estimated loss in the pool.

Rating sensitivities

Positive factors – Not applicable for Series A1a PTCs and Series A1b PTCs. For Series A2 PTCs, since the principal amortisation would begin on the crystallisation of the final pool, the rating is unlikely to be upgraded till the final pool is crystallised. The rating could be upgraded basis the healthy collections observed in the final crystallised pool, leading to the build-up of the credit enhancement cover over the rated PTC.

Negative factors –The ratings could be downgraded on the occurrence of a trigger event, non-adherence to the key transaction terms and deterioration in the performance of the follow-on pools such that the delinquencies during the amortisation period are higher than expected. Weakening the credit profile of the servicer (Progfin) could also exert pressure on the ratings.

Analytical approach

The rating action is based on the analysis of the performance of Progfin's portfolio till March 2025, the key characteristics and composition of the current pool, the eligibility criteria for follow-on pools, the performance expected over the balance tenure of the pools, 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. Accounts Agreement
3. Assignment Agreement – Initial Receivables (to assign the Initial Receivables to the Trust on the Settlement Date).
4. Supplemental Assignment Agreement(s) (to assign any Follow-on Receivables to the Trust during the Replenishment Period).
5. Servicing Agreement
6. Power of Attorney
7. Legal opinion
8. Trustee letter
9. 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

Progcap was founded by Ms. Pallavi Shrivastava and Mr. Himanshu Chandra under Desiderata Impact Ventures Pvt. Ltd (DIV) in FY2017 as a digital lending platform for engagement between retailers/distributors and financiers. In September 2022, DIV

acquired Hytone Holdings Pvt Ltd, renaming it Progfin Private Limited, and commenced lending operations in October 2022, sourcing borrowers through the Progcap platform. Progfin is a wholly-owned subsidiary of DIV. It provides anchor-led supply chain financing and working capital term loans across multiple industries, including two-wheelers, agri inputs, white goods, FMCGs and emerging brands.

On a standalone basis, Progfin reported a profit after tax (PAT) of Rs. 12 crore on total income of Rs. 258 crore in FY2025 compared to Rs. 3 crore and Rs. 109 crore, respectively, in FY2024. The PAT for the quarter ended June 30, 2025 stood at Rs. 5 crore on total income of Rs. 80 crore. The AUM stood at Rs. 1,640 crore as on June 30, 2025, comprising dealer financing (70%) and working capital term loans (30%).

Progfin Private Limited (standalone)	FY2024	FY2025
	Actual	Actual
Total income	109	258
Profit after tax	3	12
Total managed assets	1,215	2,133
CRAR	45.2%	40.3%
GNPA/Gross stage 3	1.5%	1.1%

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
			September 03, 2025			
Arceus 2025	Series A1a PTCs	34.97	Provisional [ICRA]A1+(SO)	-	-	-
	Series A1b PTCs	50.15	Provisional [ICRA]A1+(SO)	-	-	-
	Series A2 PTCs	1.00	Provisional [ICRA]A1(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1a PTCs	Complex
Series A1b PTCs	Moderately Complex
Series A2 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 Type	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Current Rated Amount (Rs. crore)	Current Rating
Arceus 2025	Series A1a PTCs	August 29, 2025	10.90%*	August 17, 2026	34.97	Provisional [ICRA]A1+(SO)
	Series A1b PTCs		11.00%	August 17, 2026	50.15	Provisional [ICRA]A1+(SO)
	Series A2 PTCs		12.00%	August 17, 2026	1.00	Provisional [ICRA]A1(SO)

Source: Company

*Floating rate : Linked to 3 month SBI MCLR

Annexure II: List of entities considered for consolidated analysis

Not applicable

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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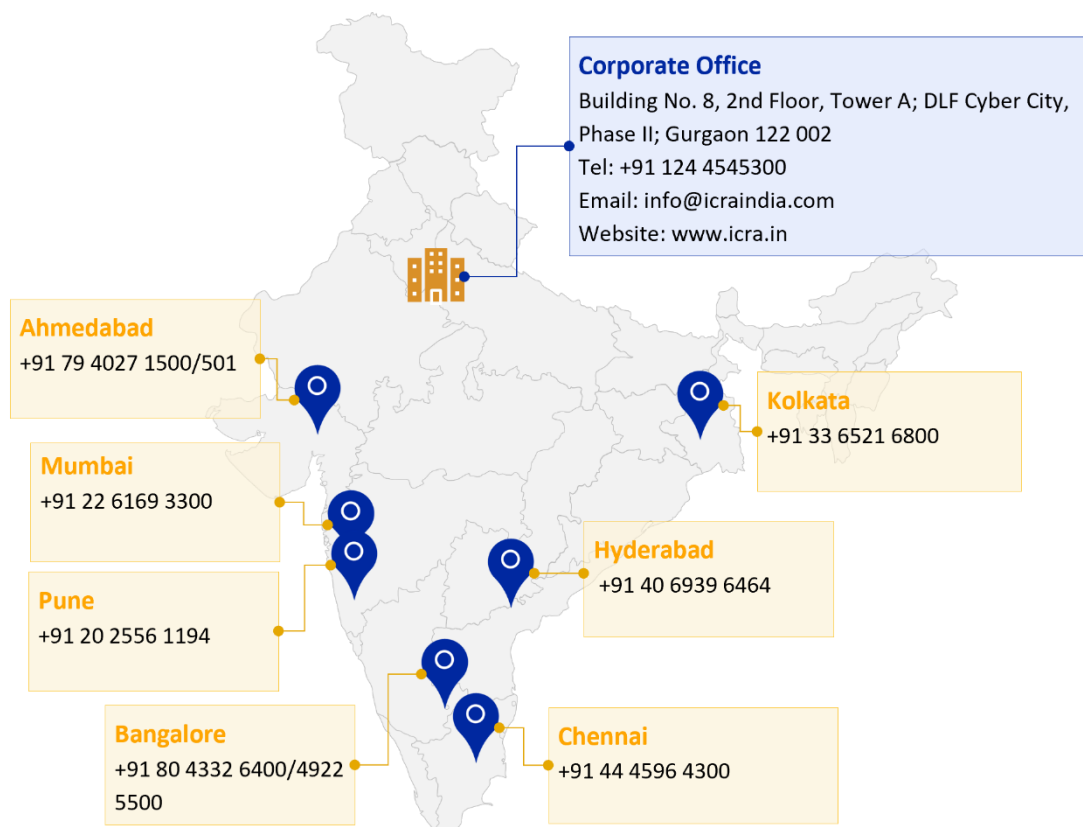


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