

September 11, 2025

Muthoot Capital Services Limited: Ratings confirmed as final for PTCs backed by pool of two-wheeler loans receivables issued by Summit 2025

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Summit 2025	PTC Series A1a	52.15	[ICRA]AAA(SO); provisional rating confirmed as final
	PTC Series A1b	52.15	[ICRA]A(SO); provisional rating confirmed as final
	PTC Series A2	5.79	[ICRA]BBB+(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

In June 2025, ICRA had assigned provisional ratings to the pass-through certificates (PTC) issued by Summit 2025 under a securitisation transaction originated by Muthoot Capital Services Limited (MCSL/Originator; rated [ICRA]A+(Stable)). The PTCs are backed by a pool of two-wheeler loan receivables originated by 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.

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 ratings have now been confirmed as final.

Pool performance summary

Parameter	Summit 2025
Payout month	August 2025
Months post securitisation	2
Pool amortisation	8.19%
PTC Series A1a amortisation	18.21%
PTC Series A1b amortisation	0.00%
PTC Series A2 amortisation	0.00%
Cumulative prepayment rate	0.42%
Cumulative collection efficiency ¹	98.56%
Loss-cum 0+ days past due (dpd) ²	5.05%
Loss cum 30+ dpd ³	0.39%
Loss cum 90+ dpd ⁴	0.00%
Cumulative cash collateral utilisation	0.00%

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

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

² Unbilled and overdue principal portion of delinquent contracts, as a % of Initial pool principal

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

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

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.

Details of key counterparties

The key counterparties in the rated transaction is as follows:

Transaction Name	Summit 2025
Originator	Muthoot Capital Services Limited
Servicer	Muthoot Capital Services Limited
Trustee	MITCON Credentia Trusteeship Services Limited
CC holding bank	DCB Bank Limited
Collection and payout account bank	ICICI Bank Limited

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 ratings downgrade. Weakening in the credit profile of the servicer (MCSL) could also exert pressure on the ratings.

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	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

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 March 2025, the company had operations across 353 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 March 2025, the promoters together held a 62.6% stake in the company.

Key financial indicators

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	2,435.3	2,314.2	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

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			
		Amount Rated (Rs. crore)	Date & Rating in FY2026		Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023
			September 11, 2025	June 25, 2025			
Summit 2025	PTC Series A1a	52.15	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-	-
	PTC Series A1b	52.15	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-	-
	PTC Series A2	5.79	[ICRA]BBB+(SO)	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

Trust Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate (p.a.p.m)	Maturity Date	Amount Rated (Rs. crore)	Current Rating
Summit 2025	PTC Series A1a	June 20, 2025	8.65%	November 23, 2028	52.15	[ICRA]AAA(SO)
	PTC Series A1b	June 20, 2025	10.00%	November 23, 2028	52.15	[ICRA]A(SO)
	PTC Series A2	June 20, 2025	11.00%	November 24, 2028	5.79	[ICRA]BBB+(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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