

October 14, 2025

Muthoot Capital Services Limited: Ratings reaffirmed for PTCs issued under two-wheeler loan securitisation transaction

Summary of rating action

Trust name	Instrument*	Initial rated amount (Rs. crore)	Amount O/s after last surveillance (Rs. crore)	Amount O/s after Aug-25 payout (Rs. crore)	Rating action
Azalea 2024	PTC Series A1a	35.40	NA	13.89	[ICRA]AAA(SO); reaffirmed
	PTC Series A1b	35.40	NA	35.40	[ICRA]A(SO); reaffirmed

*Instrument details are provided in Annexure I

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)}. MCSL is also the servicer for the transaction.

The ratings reaffirmation factors in the build-up of the credit enhancement cover over the future PTC payouts on account of moderate pool amortisation and strong pool performance. The ratings also draw comfort from the fact that the breakeven collection efficiency is lower than the actual collection level observed in the pool till the August 2025 payout month.

Pool performance summary

Parameter	Azalea 2024 ¹
Payout month	August 2025
Months post securitisation	10
Pool amortisation (as % of initial pool principal)	20.9%
PTC amortisation (as % of initial PTC principal)	
PTC Series A1a	60.8%
PTC Series A1b	0.0%
Cumulative collection efficiency ²	97.7%
Cumulative prepayment rate ³	3.0%
Loss-cum-30+ days past due (dpd; % of initial pool principal) ⁴	3.8%
Loss-cum-90+ dpd (% of initial pool principal) ⁵	1.1%
Breakeven collection efficiency (BECC) ⁶	
PTC Series A1a	25.8%
PTC Series A1b	68.6%
Cumulative cash collateral (CC) utilisation	0.0%
CC available (as % of balance pool)	6.3%
Excess interest spread (EIS; as % of balance pool) ⁷	
PTC Series A1a	8.1%
PTC Series A1b	9.4%

¹ BECC, principal subordination and EIS figures are considering pool cashflows till attachment month for PTC Series A1a

² Cumulative collections / (Cumulative billings + Opening overdue at the time of securitisation)

³ Principal outstanding at the time of prepayment of contracts prepaid till date / Initial pool principal

⁴ Unbilled and overdue principal portion of contracts delinquent for more than 30 days, as a % of Initial pool principal

⁵ Unbilled and overdue principal portion of contracts delinquent for more than 90 days, as a % of Initial pool principal

⁶ (Balance cash flows payable to investor – CC available) / Balance pool cash flows

⁷ (Pool cash flows – Cash flows to PTC A1/A1(a)/A1(b) – Originator's residual share) / Pool principal outstanding

Principal subordination (% of balance pool principal)	
PTC Series A1a	42.2%
PTC Series A1b	20.8%

Transaction structure

As per the transaction structure, the tenure of the pool shall be divided into two periods – replenishment period and amortisation period. MCSL will be the Servicer for the transaction.

Replenishment period

The replenishment period will be for 6 months from the transaction commencement date. During this period, both PTC Series A1a and PTC Series A1b investors will receive only the promised interest payouts each month on pari-passu basis. The balance pool collections will be used by the trust to purchase fresh loan receivables from MCSL as per the pre-defined selection criteria which would result in build-up of the pool principal during this period and thus increase the subordination for the rated instruments.

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.

The replenishment period ended after the April 2025 payout after 6 months from the transaction commencement date. The transaction is now in the amortisation period.

Amortisation period

Post the replenishment period, 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 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 PTCs on a pari-passu basis. The principal is promised to the investors for both series of PTCs on the legal final maturity date of the transaction.

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% of the initial pool principal and entire excess interest spread (EIS) in the structure. Additional credit enhancement is available in the structure in the form of a CC of 5.00% of the initial pool principal, amounting to Rs. 3.93 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

Healthy pool performance – The pool performance has been healthy with a cumulative collection efficiency of ~97.7% till the August 2025 payout month. This has resulted in low delinquencies in the pool with the 90+ days past due (dpd) at ~1.0% for the pool.

Healthy build-up of credit enhancement – The rating factors in the build-up in the credit enhancement with the cash collateral and subordination increasing from the time of securitisation for the trust. Further, there have been no instances of cash collateral utilisation till date owing to the strong collection performance and the presence of subordination and EIS in the transaction.

Adequate servicing capability of the originator – The company, which would be servicing the loans in the transaction, has an adequate track record in the lending business and has adequate underwriting policies and collection procedures. The company has adequate processes for servicing the loan accounts.

Credit challenges

Higher share of high LTV contracts – The pool has ~78% share of contracts having LTV more than 80%. Borrowers with high LTV loans are likely to have a higher propensity to default given the lower build-up of borrower equity in the loan.

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 their tenure at 5.00% of the initial pool principal with certain variability around it. The average prepayment rate for the 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	Azalea 2024
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: Superior for PTC Series A1a and Strong for PTC Series A1b

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 8 times the estimated loss in the pool.

The liquidity for PTC Series A1b is strong after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be ~5.0 times the estimated loss in the pool.

Rating sensitivities

Positive factors – Not applicable for PTC Series A1a. For PTC Series A1b, could be upgraded on the sustained strong collection performance of the underlying pool of contracts leading to lower-than-expected delinquency levels, and on an increase in the cover available for future investor payouts from the credit enhancement.

Negative factors – The ratings could be downgraded on the sustained weak collection performance of the underlying pool of contracts, leading to higher-than-expected delinquency levels and credit enhancement utilisation levels. 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 performance of the pool till July 2025 (collection month), the present delinquency levels and the credit enhancement available in the pool, and the performance expected over the balance tenure of the pool.

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

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				
		Initial rated amount (Rs. crore)	Current rated amount (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025		Date & rating in FY2024	Date & rating in FY2023
				October 14, 2025	November 28, 2024	October 18, 2024	-	-
Azalea 2024	PTC Series A1a	35.40	13.89	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-
	PTC Series A1b	35.40	35.40	[ICRA]A(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-

Complexity level of the rated instruments

Trust name	Instrument	Complexity indicator
Azalea 2024	PTC Series A1a	Moderately Complex
	PTC Series A1b	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 amount rated (Rs. crore)	Current rating
Azalea 2024	PTC Series A1a	October 11, 2024	9.25%	June 23, 2028	13.89	[ICRA]AAA(SO)
	PTC Series A1b		10.00%		35.40	[ICRA]A(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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