October 27, 2025

Progfin Private Limited: Provisional [ICRA]A+(SO) assigned to Series A1 PTC to be issued by MARS 10 2025

Summary of rating action

Trust name	Instrument*	Current rated amount (Rs. crore)	Rating action
MARS 10 2025	Series A1 PTC	95.15	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

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. 110.00 crore (pool receivables of Rs. 113.74 crore). Progfin would be acting 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 eligibility criteria for the follow-on pools, 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 tenure of the pool shall be divided into two periods – replenishment period and amortisation period.

The replenishment period will be for 12 months from the transaction settlement date. During this period, all collections from the pool, following the payment of the Series A1 PTC interest, shall be used by the trust to purchase additional receivables from the Originator as per the replenishment period waterfall for the pool. These additional receivables shall meet the same eligibility criteria as applicable for the receivables that were a part of the underlying pool at the initiation of the transaction.

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 any time during the replenishment period, then the tenure of the PTCs shall be reduced and will be co-terminus with the remaining tenure of the pool of receivables assigned to the trust.

Amortisation period

After the replenishment period, the residual pool collections will be utilised to repay Series A1 PTC. The monthly cash flow schedule will comprise the promised interest payout for Series A1 PTC. The principal for Series A1 PTC 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 PTC principal. The transaction has certain trigger events defined, on occurrence of which the residual cash flows would be passed on to Series A1 PTC investors till the triggers are in breach.

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. 5.50 crore, to be provided by the Originator, (ii) principal subordination of 13.50% of the initial pool principal for Series A1 PTC in the form of overcollateral, and (iii) the entire 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 borrowers should have paid in full to the Issuer its obligations under atleast 2 invoices in the past prior to such Borrower being eligible as part of the pool
- No Facility is/shall be overdue as on the respective Pool Cutoff Date
- No Facility to have a tenor [Bill Due Date less funding date (date when Issuer funded the bill)] of more than 6 months
- No Borrower to have been more than 30 days past due in the last 12 months with the Issuer
- No Borrower to have a aggregate outstanding in the pool greater than Rs. 25 Lakhs
- Top borrower concentration to be capped at 4%.
- All Borrowers to have Current CIBIL of >675. In the event of CIBIL not being available or CIBIL being lower following criteria to be met:
    a. For Borrowers with current CIBIL between 1 and 675: Vintage with Issuer to be greater than 12 months from cut off date and borrower current CIBIL should be greater than borrower's CIBIL score at time of onboarding with Issuer.
    b. For Borrowers with no current CIBIL hit as per scrub: Vintage with Issuer to be greater than 9 months from cut off date and borrower should have cumulative business with Issuer since inception of >Rs. 50 Lakhs.

- due date of the underlying loans of replenished pool should not be more than 31 March 2027
- At no point should loans where underlying sector is 2 Wheeler shall be greater than 45% of the outstanding pool
- At no point should loans where underlying sector is Mobiles shall be greater than 15% of the outstanding pool
- At no point should loans where underlying sector is other than Mobiles/2 Wheelers shall be greater than 20% of the outstanding pool

Key trigger events for early amortisation

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

- Utilization of cash collateral to service Series A1 interest
- Rating downgrade of originator/servicer
- 15+ PAR on the outstanding pool breaches 5%
- Satisfaction of below conditions that will trigger Turbo Amortization Trigger

a) PAR 15+ of the pool exceeds more than 8% of the Initial Pool as on payout date to be checked monthly
b) Cumulative liquidity mismatch in any of the standard buckets (as prescribed the RBI) of the Servicer to be checked quarterly
c) Capital Adequacy Ratio (CAR) of the Servicer (as reported to RBI) falls below 20% to be checked quarterly
d) Net Non-Performing Loans of the Servicer exceeds 5%, where Net Non-Performing Loans = (PAR 90 + Restructured Troubled Loans – Total Provisions)/Asset under Management

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 to have an aggregate outstanding in the pool greater than Rs. 25 Lakhs, 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 originator – The Originator has sufficient processes for servicing 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 contracts with lower interest rates, contracts from weaker geographies and a moderate share of contracts with lower bureau scores. The higher presence of lower interest rate contracts would impact the EIS adversely, which acts as a credit enhancement in the structure.

Risks associated with lending business – The performance of the initial as well as the follow-on pools 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. 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 the fact that recoveries from delinquent contracts tend to be lower.

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, its characteristics 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: Strong

The liquidity for Series A1 PTC is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~3.25 times the estimated loss in the pool.

Rating sensitivities

Positive factors – 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 PTCs.

Negative factors – The rating 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 in the credit profile of the servicer (Progfin) could also exert pressure on the rating.

Analytical approach

The rating action is based on the analysis of the performance of Progfin's portfolio till June 2025, the key characteristics and composition of the current pool, the eligibility criteria for the 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. Power of Attorney
3. Accounts Agreement
4. Assignment Agreement
5. Servicing Agreement
6. Legal opinion
7. Trustee letter
8. 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, fast-moving consumer 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 assets under management (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	Q1 FY2026
	Audited	Audited	Provisional
Total income	109	258	80
Profit after tax	3	12	5
Total managed assets	1,215	2,133	1,920
CRAR*	45.2%	40.3%	41.5%
GNPA/Gross stage 3*	1.5%	1.1%	1.9%

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; * CRAR and asset quality indicators pertain to Progfin*
Total managed assets = Total assets + Impairment loss allowance on gross loans + Off-balance sheet advances

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
			October 27, 2025	-	-	-
MARS 10 2025	Series A1 PTC	95.15	**Provisional [ICRA]A+(SO)**	-	-	-

Complexity level of the rated instrument

Instrument	Complexity indicator
Series A1 PTC	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
MARS 10 2025	Series A1 PTC	October 16, 2025	11.00%	April 23, 2027	95.15	Provisional [ICRA]A+(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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ABOUT ICRA LIMITED

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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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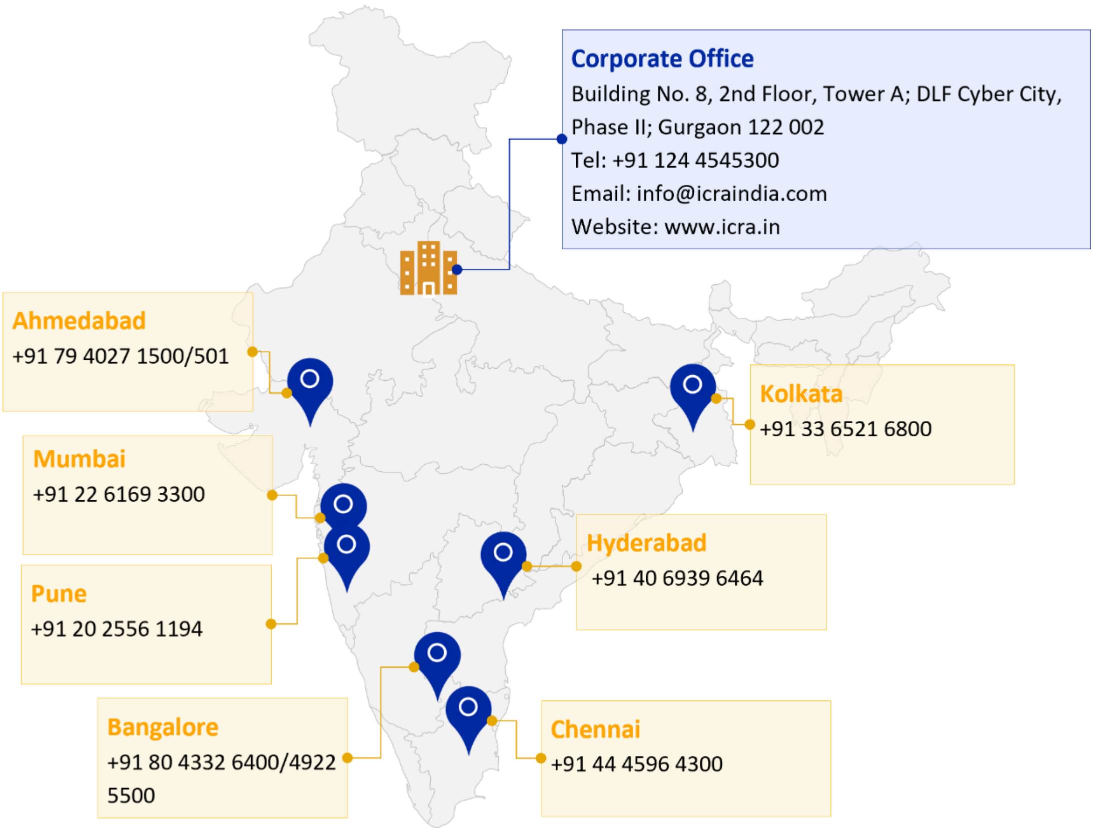

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