

December 01, 2025

InCred Financial Services Limited: Provisional [ICRA]AA(SO) assigned to PTCs backed by personal loan receivables issued by Sakthi Nov 2025

Summary of rating action

Trust name	Instrument*	Rated amount (Rs. crore)	Rating action
Sakthi Nov 2025	PTC Series A1	438.00	Provisional [ICRA]AA(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 personal loan (PL) receivables originated by InCred Financial Services Limited ((IFSL/Originator; rated [ICRA]AA-(Stable)/[ICRA]A1+)) with an aggregate principal outstanding of Rs. 500.57 crore (pool receivables of Rs. 695.40 crore). IFSL 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 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 tenure of the pool shall be divided into two periods – replenishment period and amortisation period.

Replenishment period

The replenishment period will be for 12 months from the transaction commencement date. During this period, PTC Series A1 investors will receive only the promised interest payouts on a monthly basis 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 unchanged. Further, as per the transaction structure, 50% of the residual pool collections will be used to redeem the PTC Series A1. This will lead to buildup of subordination for the rated instrument.

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, after meeting the promised interest payout to PTC investors, shall be used to make expected principal payouts to the PTC investors. However, the principal is 'promised' to the investors only on the legal final maturity date of the transaction. The transaction also entails certain trigger events for pool amortisation. A breach of any of these trigger events would result in the replenishment period coming to an end and start of the amortisation period. 50% of the EIS available after meeting the expected and promised PTC payments will be passed on to the investor and rest would leak out to originator (in case there are no EIS trigger events). In case of an EIS trigger event, the EIS available will be used for accelerated redemption of PTC Series A1 until PTC Series A1 are outstanding.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 3.50% of the initial pool principal, amounting to Rs. 17.52 crore, to be provided by the Originator, (ii) principal subordination of 12.50% of the initial pool principal (comprising of equity tranche of 7.50% and overcollateral of 5.00%) and (iii) the entire EIS in the structure. However, the principal subordination would build up during the replenishment period basis the transaction structure.

Key eligibility criteria for the receivables

The 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 following key eligibility criteria will have to be met:

- None of the Loans comprise of non-performing assets or any rescheduled or restructured assets;
- None of the Loans have any overdue as on the Cut-Off Date or be overdue on acquisition date
- Annualized Rate of interest (without any fees) on the loans not to exceed [33]% and should not be less than [13.99]%
- Amount Financed no more than Rs [10] Lakhs and no less than Rs [0.75]Lakhs
- Loans should have original maturity of not greater than [60] months
- Single state do not exceed [30]% of the pool, with top 3 not exceeding [70]%
- no more than [41%] of loans by balance have score less than [750 or is NTC] and weighted average pool score of [725]
- New to Credit Customers (NTC) no more than [10%] of the pool
- Minimum weighed average pool seasoning of 7 months
- Weighed average interest Rates no less than [22%]
- Average Loan size no more than [Rs. 3,50,000]
- loans more than 5 Lakhs no more than 25% of the pool
- Loans with FOIR > 65% is no more than 20% of the pool

Turbo trigger events for early amortisation

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

- Following the end of the agreed one year revolving period
- A breach of portfolio parameter not rectified in 5 business days
- Any of the EIS trigger events
- Non-payment of any PTC Series A1 owed amounts, not rectified in 2 business days

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement - The current pool is granular with no obligor exceeding 0.01% of the pool principal and the follow-on pools are also expected to be granular, 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. Basis the structure of the transaction the EIS would be passed to PTC Series A1 for the replenishing period which would lead to increasing the subordination for PTC Series A1 to 20.6% from 12.5% (assuming 100% collection efficiency and nil prepayment).

No overdue contracts in the pool - The initial pool has no overdue contracts as on pool cut-off date. Further any follow-on pool would also not include any overdue contracts on date of assignment to trust which is a credit positive.

Strong CIBIL score of the underlying borrowers – ~60% of borrowers I initial pool have a CIBIL score of more than or equal to 750 which signifies a strong credit history of such borrowers. Further in follow on pools as per eligibility criteria weighted average pool score would be 725.

Adequate servicing capability of the originator - The company has adequate processes for servicing of the loan accounts in the securitised pool. It has a moderate track record of almost 4 years of regular collections across a wide geography.

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 seasoning, 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.

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. 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 6.25% of the initial pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 3% 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: Superior

The liquidity for PTC Series A1 is superior after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement is ~6.5 times the estimated loss in the pool for PTC Series A1.

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 (IFSL) could also exert pressure on the ratings.

Analytical approach

The rating action is based on the analysis of the performance of IFSL's PL loan portfolio till September 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:

- Trust Deed
- Deed of Assignment
- Servicing Agreement
- Credit Enhancement Agreement
- Power of Attorney
- Information Memorandum
- Other standard documents

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

InCred Financial Services Limited (IFSL; erstwhile KKR India Financial Services Limited or KIFSL) is a non-banking financial company (NBFC) registered with the Reserve Bank of India (RBI). In FY2023, the erstwhile IFSL was merged with KIFSL, becoming a 100% subsidiary of InCred Holdings Limited (IHL; erstwhile KKR Capital Markets Private Limited, the holding company of KIFSL). The merged entity (i.e. KIFSL) was subsequently renamed InCred Financial Services Limited. The shareholders of the erstwhile IFSL became IHL's shareholders. The company's registered office is in Mumbai. It provides personal loans, education loans, school financing, LAP, loans to financial institutions and anchor & escrow-backed business loans. As of March 2025, IFSL had operations in 18 states with 140 branches.

Key financial indicators (standalone; audited)

IFSL	FY2023	FY2024	FY2025
Total income	876	1,292	1,883
Profit after tax	121	315	372
Total managed assets	7,356	10,471	14,523
Gross stage 3	2.1%	2.1%	1.9%
CRAR	33.4%	30.4%	26.1%

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	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
			December 01, 2025	-	-	-
Sakthi Nov 2025	PTC Series A1	438.00	Provisional [ICRA]AA(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity indicator
PTC Series A1	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
Sakthi Nov 2025	PTC Series A1	November 27, 2025	9.15%	March 20, 2031	438.00	Provisional [ICRA]AA(SO)

Source: Company

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.

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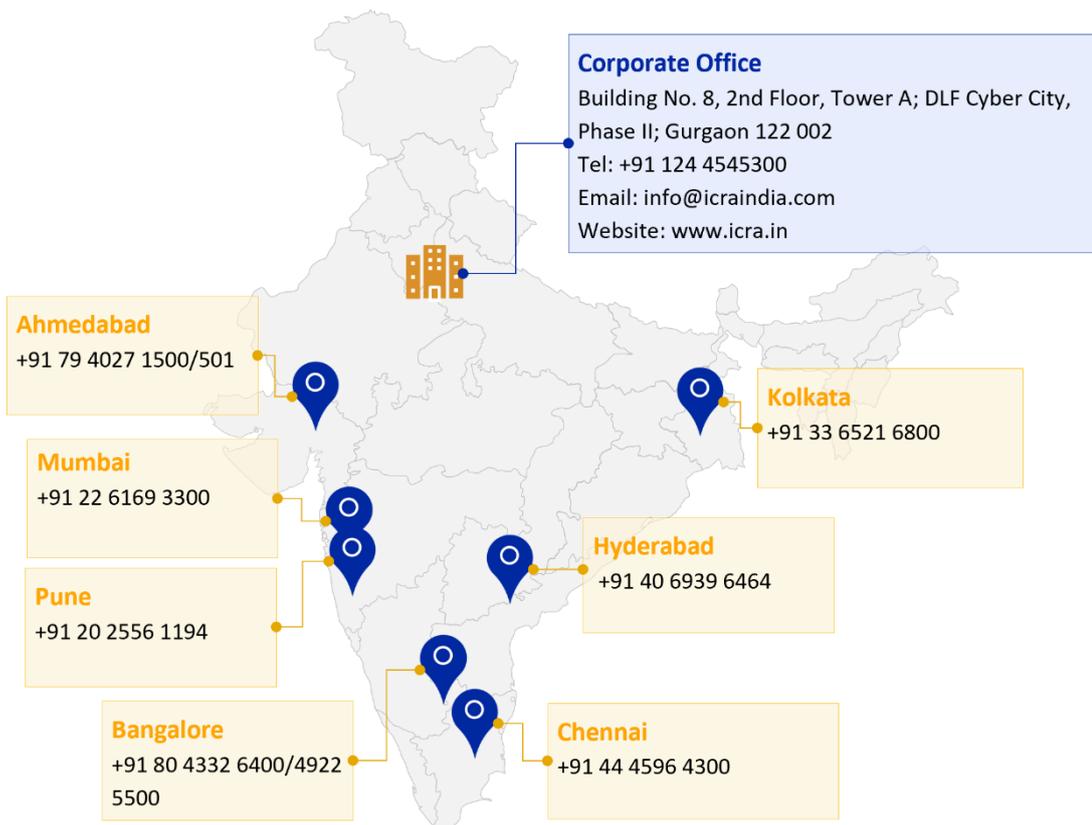
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