

December 03, 2025

CreditAccess Grameen Limited: Provisional [ICRA]AA+(SO) assigned to Series A1 PTCs backed by microfinance loan receivables issued by KARBAN PTC Trust Nov 2025

Summary of rating action

| Trust name | Instrument* | Rated amount (Rs. crore) | Rating action |
|---------------------------|----------------|--------------------------|-------------------------------------|
| KARBAN PTC Trust Nov 2025 | Series A1 PTCs | 174.44 | Provisional [ICRA]AA+(SO); assigned |

*Instrument details are provided in Annexure I

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| 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 microfinance loan receivables originated by CreditAccess Grameen Limited {CAGL/Originator; rated [ICRA]AA- (Stable)} with an aggregate principal outstanding of Rs. 199.36 crore (pool receivables of Rs. 235.99 crore). CAGL would also act 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 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 monthly cash flow schedule comprises the promised interest payout. The principal 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.

However, on the occurrence of predefined trigger events, the entire residual EIS every month shall be utilised for accelerating the principal payment due to Series A1 PTCs till full redemption. The event is triggered by any of the following: (i) 90+ days past due (dpd) of the pool crossing 6.0% of the pool principal in any payout month, (ii) downgrade in the rating of the PTC by one notch, (iii) downgrade in the Originator's rating by two notches, (iv) Originator's capital adequacy ratio goes below 15%, (v) Originator's net non-performing assets (NNPAs) exceeds 4%.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 5.00% of the initial pool principal, amounting to Rs. 9.97 crore, to be provided by the Originator, (ii) subordination of 12.50% of the initial pool principal for Series A1 PTCs (including equity tranche of 5.00% and over-collateralisation of 7.50%), and (iii) the EIS of 12.97% of the initial pool principal for Series A1 PTCs.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The pool is granular, consisting of 53,422 contracts with the top 10 borrowers not exceeding 3% 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 of the losses in the pool and provide support in meeting the PTC payouts.

No overdue contracts in the pool – The pool has been filtered in such a manner that there are no overdue contracts.

Seasoned contracts in the pool – The pool had amortised by almost 26% as on the cut-off date with no delinquencies seen in any of the contracts, post loan disbursement, reflecting the borrowers' relatively better credit profile.

Adequate servicing capability of CAGL – CAGL has an established track record of more than a decade in the lending business and has adequate underwriting policies and collection procedures. The company has sufficient processes for servicing the loan accounts in the securitised pool.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz. Maharashtra, Madhya Pradesh and Tamil Nadu, contributing ~57% to the initial pool principal amount. The pool's performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc. Nonetheless, the contracts are well-diversified across multiple districts with the top 10 districts constituting around 17% of the initial pool amount, which alleviates the concentration risk to some extent.

Risks associated with lending business – The pool's performance 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. The performance of microfinance loans would also be exposed to political and communal risks.

Increasing delinquencies in microfinance sector – The microfinance sector has seen a decline in collections and a consequent rise in delinquencies since the previous fiscal on account of multiple factors like heat waves, general elections, borrower overleveraging and attrition in collection teams. The sustained impact, if any, of these factors on the collections from the pool would be monitorable.

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 4.25%, 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.

Liquidity position: Strong

The liquidity for Series A1 PTCs is strong after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement is around 6.00 times the estimated loss in the pool.

Rating sensitivities

Positive factors – 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 rating 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 rating downgrade. Weakening in the credit profile of the servicer (CAGL) could also exert pressure on the rating.

Analytical approach

The rating action is based on the analysis of the performance of CAGL’s 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 | 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. Assignment agreement
3. Legal opinion
4. Trustee letter
5. Chartered Accountant’s certificate for know your customer (KYC) due diligence
6. 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

CreditAccess Grameen Limited (CAGL) commenced microfinance operations under the leadership of Mrs. Vinatha M Reddy in 1999 as a division under T. Muniswamappa Trust (TMT), a registered public charitable trust/non-governmental organisation (NGO). This microfinance programme was transferred and transformed into a non-banking financial company (NBFC) in 2007-08.

CreditAccess India acquired a majority stake in the company in FY2014 and currently owns 66.6%. CAGL got listed in FY2019 and it acquired 76% in Madura Microfinance Limited (MMFL) in FY2020. MMFL was amalgamated with CAGL effective February

15, 2023. CAGL is engaged predominantly in microlending activities mainly in Karnataka, Maharashtra, Tamil Nadu, Madhya Pradesh, Chhattisgarh, etc. As on June 30, 2025, it had a portfolio of Rs. 26,055 crore serving borrowers across 433 districts.

Key financial indicators (audited)

| CAGL | FY2024 | FY2025 | Q1 FY2026* |
|-----------------------------|----------|--------|------------|
| | Ind-AS | Ind-AS | Ind-AS |
| Total income | 5,125.0 | 5,727 | 1,455 |
| Profit after tax | 1,445.9 | 531 | 60 |
| Total managed assets | 30,462.4 | 29,423 | 29,298 |
| Gross stage 3 | 1.2% | 4.8% | 4.7% |
| CRAR | 23.1% | 25.4% | 25.5% |

Source: Company; Amount in Rs. crore; *Provisional numbers

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| S. no. | 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 |
| 1 | KARBAN PTC Trust Nov 2025 | Series A1 PTCs | 174.44 | December 03, 2025 Provisional [ICRA]AA+(SO) | - | - | - |

Complexity level of the rated instrument

| Instrument | Complexity indicator |
|----------------|----------------------|
| Series A1 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 name | Date of issuance/ Sanction | Coupon rate (p.a.p.m.) | Maturity date | Amount rated (Rs. crore) | Current rating |
|--------------------------------------|-------------------|-------------------------------|------------------------------|---------------|-----------------------------|------------------------------|
| KARBAN PTC Trust Nov 2025 | Series A1 PTCs | November 28, 2025 | 7.90% | May 20, 2028 | 174.44 | 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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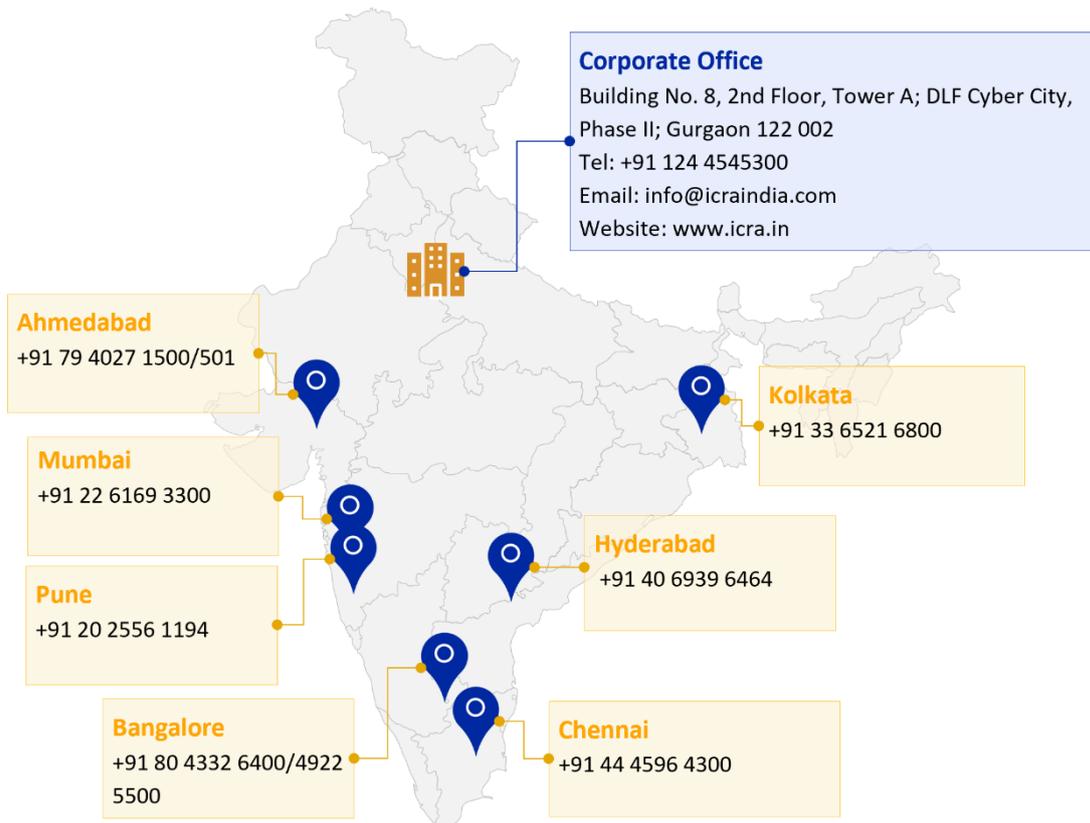


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