December 08, 2025

Muthoot Microfin Limited: Rating reaffirmed for PTCs issued under microfinance 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 Nov-25 payout (Rs. crore)	Rating action
Victory 2024	PTC Series A1	330.95	NA	54.51	[ICRA]AA(SO); reaffirmed

**Instrument details are provided in Annexure I*

Rationale

The pass-through certificates (PTCs) are backed by a pool of microfinance loan receivables originated by Muthoot Microfin Limited {MML/Originator}. MML 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 high pool amortisation and low expected balance tenor of the PTCs. The rating also draws comfort from the fact that the breakeven collection efficiency is lower than the actual collection level observed in the pool till the November 2025 payout month.

Pool performance summary

Parameter	Victory 2024
Payout month	November 2025
Months post securitisation	12
Pool amortisation (as % of initial pool principal)	76.9%
PTC Series A1 amortisation (as % of initial PTC principal)	83.5%
Cumulative collection efficiency[1]	105.4%
Cumulative prepayment rate[2]	6.4%
Loss-cum-30+ days past due (dpd; % of initial pool principal)[3]	11.3%
Loss-cum-90+ dpd (% of initial pool principal)[4]	9.6%
Breakeven collection efficiency[5] for PTC Series A1	38.0%
Cumulative cash collateral (CC) utilisation	0.0%
CC available (as % of balance pool)	21.6%
Excess interest spread (EIS; as % of balance pool)[6]	10.0%
Principal subordination (% of balance pool principal)	37.4%

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. The

[1] *Cumulative collections including advance collections / (Cumulative billings + Opening overdue at the time of securitisation)*
[2] *Principal outstanding at the time of prepayment of contracts prepaid till date / 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*
[5] *(Balance cash flows payable to investor – CC available) / Balance pool cash flows*
[6] *(Pool cash flows– Cash flows to PTC A1– Originator's residual share) / Pool principal outstanding*

residual cash flows from the pool, after meeting the promised and expected payouts, will be flow back to the originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of the PTC Series A1 principal.

Key rating drivers and their description

Credit strengths

Substantial credit enhancement available in the structure – The rating factors in the build-up in the credit enhancement with the subordination increasing to ~37.4% of the balance pool principal from 12.00% at the time of securitisation. Credit support is also available through cash collateral (CC) of ~21.6% and excess interest spread (EIS) of ~10.0% of the balance pool principal. There has been no CC utilisation in the pool in any of the months post securitisation.

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 multiple geographies.

Credit challenges

Higher than expected delinquencies in the pool - The pool has seen higher delinquency than ICRA expectations. While there has some slowdown in roll forward in softer delinquency buckets in recent months, there has been a buildup in delinquencies in harder buckets with loss cum 90+ dpd at 9.6%. The collections from the delinquent contracts have been lower, which is expected given the unsecured nature of the loans in the pools. Further while the monthly collection efficiency in the pool has seen a dip, it is higher than the break-even collection efficiency for the PTCs, which is comforting.

Risks associated with lending business – The pool 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. 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 consequently rise in delinquencies since the previous fiscal on account of multiple factors like heat wave, general elections, borrower overleveraging and attrition in collection teams. Any sustained impact 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 each of the pools, ICRA has estimated the shortfall in the pool principal collection during their tenure at 4.50% 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 are as follows:

Transaction name	Victory 2024
Originator	Muthoot Microfin Limited
Servicer	Muthoot Microfin Limited
Trustee	SBICAP Trustee Company Limited
CC holding bank	IndusInd Bank Limited
Collection and payout account bank	IndusInd Bank Limited

Liquidity position: Strong

The liquidity for PTC Series A1 is strong after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement is ~3.5 times the estimated loss in the pool.

Rating sensitivities

Positive factors – The rating may be upgraded on the sustained strong collection and reduction in delinquency levels in pool.

Negative factors – The rating could be downgraded on the sustained weak collection performance of the underlying pool of contracts, leading to further increase in delinquency levels. Weakening in the credit profile of the servicer (MML) could also exert pressure on the rating.

Analytical approach

The rating action is based on the performance of the pool till October 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

Muthoot Microfin Limited (MML) is a part of the Muthoot Pappachan Group. The Group is highly diversified with a presence in financial services, insurance & broking services, precious metals, automotive, hospitality, real estate, information technology (IT) infrastructure, alternate energy, healthcare and IT. The company entered the microfinance business in 2010 as a division of Muthoot Fincorp Ltd with a product named Muthoot Mahila Mitra. MML's first branch was opened in Choolaimedu (Chennai), Tamil Nadu in March 2010. The company operates under the concept of joint liability groups (JLGs) or group guarantee. In the past few years, MML has grown its presence on a pan-India level with operations in 19 states.

Key financial indicators

Particular	FY2023 (Audited)	FY2024 (Audited)	FY2025 (Audited)
Total Income	1,446.3	2,285.5	2,564.4
Profit after Tax	163.9	449.6	-222.5
Assets under Management	9,088	12,193	12,357
Gross Stage 3	3.0%	2.3%	4.8%
CRAR	21.9%	29.0%	27.9%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts 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
				Dec 08, 2025	Dec 16, 2024	Nov 25, 2024	-	-
Victory 2024	PTC Series A1	330.95	54.51	**[ICRA]AA(SO)**	**[ICRA]AA(SO)**	**Provisional [ICRA]AA(SO)**	-	-

Complexity level of the rated instruments

Trust name	Instrument	Complexity indicator
Victory 2024	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 type	Date of issuance/ Sanction	Coupon rate (p.a.p.m.)	Maturity date	Amount rated (Rs. crore)	Current rating
Victory 2024	PTC Series A1	November 19, 2024	8.75%	August 16, 2026	54.51	[ICRA]AA(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Manushree Saggar
+91 124 4545 316
manushrees@icraindia.com

Sachin Joglekar
+91 22 6114 3470
sachin.joglekar@icraindia.com

Gaurav Mashalkar
+91 22 6114 3431
gaurav.mashalkar@icraindia.com

Arijit Datta
+91 22 6114 3433
arijit.datta@icraindia.com

Samratsingh Hazari
+91 22 6114 3400
samratsingh.hazari@icraindia.com

RELATIONSHIP CONTACT

Mr. L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

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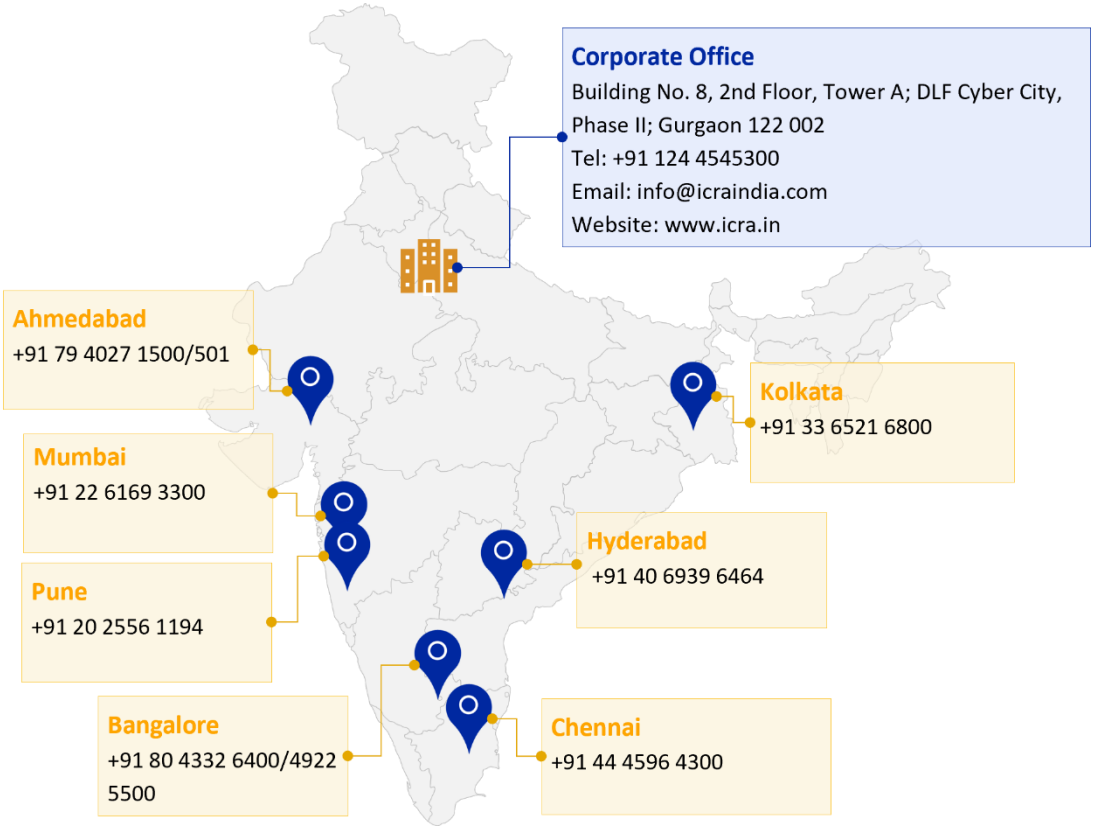
ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



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