

December 30, 2025

CreditAccess Grameen Limited: Provisional [ICRA]AA+(SO) assigned to Series A PTC backed by microfinance loan receivables issued by Kanths PTC Trust Dec 2025

Summary of rating action

Trust name	Instrument*	Current rated amount (Rs. crore)	Rating action
Kanths PTC Trust Dec 2025	Series A PTC	244.51	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 microfinance loan receivables originated by CreditAccess Grameen Limited {CAGL/Originator; rated [ICRA]AA- (Stable)} with an aggregate principal outstanding of Rs. 279.44 crore (pool receivables of Rs. 327.16 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 tenure of the pool shall be divided into – replenishment period and amortization period.

Replenishment period

The replenishment period will be for 12 months from the transaction commencement date. During this period, Series A PTC investor will receive only the promised interest payouts each month. The balance pool cashflows will be utilised to acquire further receivables to maintain the pool principal outstanding. Principal collections, including partial prepayment / foreclosures from the underlying obligors will be transferred to trustee to create fixed deposit (FD) in the concerned month will be placed in the name of trust. Further, at the time of replenishment which is to be done on quarterly basis, these FDs will be closed, and these funds would be used to purchase additional pool receivables will be assigned to the trust. The contracts in the fresh pools would be required to meet certain pre-specified eligibility criteria. 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 payouts to the PTC investors, shall be used to make the 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 has certain predefined trigger events on the occurrence of which the residual cash flows would be passed on to Series A PTC investors.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 6.00% of the initial pool principal, amounting to Rs. 16.77 crore, to be provided by the Originator, (ii) principal subordination of 12.50% of the initial pool principal

for Series A PTC and (iii) the excess interest spread (EIS) in the structure. The initial spread i.e. difference between the pool and PTC interest rate is 14.2%.

Eligibility Criteria

For replenishment pool, deviations from the initial pool criteria are stated as follows.

- Maximum concentration per district not more than 5% with +/- 1% at the entire pool level (existing and new).
- Maximum state concentration of the pool will be restricted to 25% with +/- 2% variance and will be measure at entire pool level (existing and new). All Loans will be granted to resident Indians. No Loans contracts will be part of the pool from the state of Punjab and Uttarakhand.
- Proportion of Cycle 1 loans in the pool should not greater than 50% based on initial principal outstanding as on cutoff date with +/- 3% variance on replenishment pool at entire pool level (existing and new)
- Maximum concentration of underlying loan receivables for any individual Branch shall not exceed 3% with +/- 1% for replenishment on pool cut-off date at entire pool level (existing and new);
- None of the respective obligors were subject to NPA for any other loans from seller in past 6 months from replenishment pool cutoff date

Early Amortization Trigger Events

- Utilization of cash collateral to service Series A interest;
- Rating downgrade of originator/servicer by 2 notches from date of transaction; 30+ PAR on the Cumulative Pool Principal breaches 7%
- Satisfaction of conditions that will trigger Turbo Amortization Trigger.

Turbo Amortization Trigger Events

In the event following conditions are met the payment available to the residuary beneficiary shall not be made and instead used to pre-pay the Senior A1 PTCs.

- PAR 90+ on the Cumulative pool principal exceeds more than 5%;
- Negative Cumulative liquidity mismatch in any of the standard buckets of the Servicer;
- Capital adequacy ratio of the Servicer falls below 15%;
- Net non-performing loans on own book of the Servicer exceed 5%, NPA will be as per RBI guidelines and linked to NNPA.

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.

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.

Adequate servicing capability of the 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 adequate processes for servicing the loan accounts in the securitised pool.

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 and contracts from weaker geographies. 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. 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. 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 4.5% 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 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 A PTC 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 – 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 (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	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. Deed of Assignment
3. Documents executed in relation to the Credit Enhancement
4. Power of Attorney
5. Legal opinion
6. Trustee letter
7. Chartered Accountant’s certificate for know your customer (KYC) due diligence
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

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%

CAGL	FY2024	FY2025	Q1 FY2026*
	Ind-AS	Ind-AS	Ind-AS
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	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
1	Kanths PTC Trust Dec 2025	Series A PTC	244.51	December 30, 2025 Provisional [ICRA]AA+(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity indicator
Series A PTC	Highly 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
Kanths PTC Trust Dec 2025	Series A PTC	December 30, 2025	8.00%	June 20, 2029	244.51	Provisional [ICRA]AA+(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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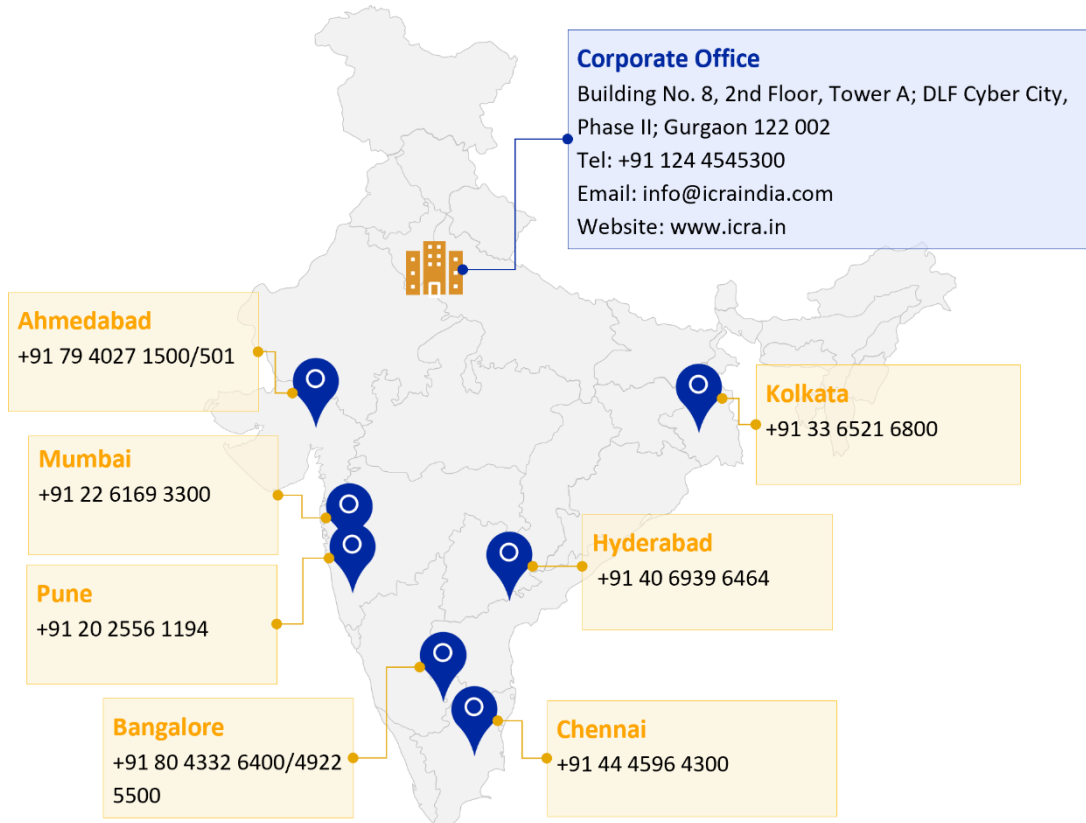


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