

February 03, 2026

## HDB Financial Services Limited: Provisional [ICRA]AAA(SO) assigned to Series A PTC backed by vehicle loan receivables issued by HORIZON TRUST JANUARY 2026

### Summary of rating action

Trust name	Instrument*	Current rated amount (Rs. crore)	Rating action
HORIZON TRUST JANUARY 2026	Series A PTC	583.09	Provisional [ICRA]AAA(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 vehicle loan receivables originated by HDB Financial Services Limited {HDBFS/Originator} with an aggregate principal outstanding of Rs. 583.09 crore (pool receivables of Rs. 715.66 crore). HDBFS 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. The cash collateral (CC), if utilised, will not be replenished from the EIS in subsequent months. Any prepayment in the pool would be used for the prepayment of the Series A PTC principal.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 10.00% of the initial pool principal, amounting to Rs. 58.31 crore, to be provided by the Originator, and (ii) the excess interest spread (EIS) of 15.14% of the initial pool principal for Series A PTC.

### Key rating drivers and their description

#### Credit strengths

**Established track record of HDBFS** – HDBFS, which would also be servicing the loans in the transaction, has an established track record of more than a decade in the lending business with adequate underwriting policies and collection procedures across a wide geography. The company has adequate processes for servicing of the loan accounts in the securitised pools.

**Granular pool supported by presence of credit enhancement** – The pool is granular, consisting of 7,480 contracts, with top 10 obligors forming only 0.75% of the pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of CC and EIS would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts.

**Seasoned contracts in the pool** – The pool has a weighted average seasoning is ~14 months thereby reflecting the borrowers' relatively better credit profile which is a credit positive.

## Credit challenges

**High loan-to-value (LTV) contracts** – Proportion of contracts with loan-to-value (LTV) ratio of more than 80% is high at ~81% (in terms of the principal amount outstanding on the cut-off date). Borrower with high LTV loans is more likely to default and are sensitive to economic downturns.

**Risks associated with lending business** – The pool's 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.

**Exposed to interest rate risk** – The transaction is exposed to interest rate risk as the underlying pool has fixed rate loans, whereas yield on PTCs is floating (linked to repo rate).

## 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 3.00% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 5% to 18% 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 ratings for the instruments.

## Liquidity position: Superior

The liquidity for Series A PTC is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be around 6.00 times the estimated loss in the pool.

## Rating sensitivities

**Positive factors** – Not applicable

**Negative factors** – Pressure on the rating could emerge on the sustained weak collection performance of the underlying pool (monthly collection efficiency of <90%), leading to higher-than-expected delinquency levels and credit enhancement utilisation levels. Weakening in the credit profile of the servicer could also exert pressure on the rating.

## Analytical approach

The rating action is based on the analysis of the performance of HDBFS'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	<a href="#">Rating Methodology for Securitisation Transactions</a>
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 ratings are provisional and would be converted into final upon the execution of:

1. Trust deed
2. Assignment agreement
3. Power of Attorney
4. Legal opinion
5. Trustee letter
6. Other key or important 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 ratings, the provisional ratings will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at [www.icra.in](http://www.icra.in).

## About the originator

HDBFS is a subsidiary of HDFC Bank with a shareholding of 74.2% as on December 31, 2025. HDBFS was incorporated in June 2007 and commenced its lending operations in March 2008. It is a lending company which offers retail loans such as loan against property (LAP), commercial vehicle (CV) and construction equipment (CE) financing, gold loan, consumptions loans, personal loans among others. As on December 31, 2025, the company had operations in 31 states/Union Territories through 1,749 branches. It reported a net profit of Rs. 1,793 crore on gross AUM of Rs. 114,853 crore in 9M FY2026 vis-à-vis a PAT of Rs. 2,176 crore on gross AUM of Rs. 107,262 crore in FY2025.

## Key financial indicators (audited)

HDBFS	FY2024	FY2025	9MFY2026
Interest income	11,157	13,836	11,707
Profit after tax	2,461	2,176	1,793
Total managed assets^	96,070	112,582	122,440
Gross stage 3	1.9%	2.3%	2.8%
CRAR	19.3%	19.2%	21.8%

Source: Company, ICRA Research; Amount in Rs. Crore; ^Total Managed assets= (On-book debt + off-book portfolio)

## 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
HORIZON TRUST JANUARY 2026	Series A PTC	583.09	583.09	Provisional [ICRA]AAA(SO) February 03, 2026	-	-	-

### 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	Date of issuance/ Sanction	Coupon rate (p.a.p.m.)	Maturity date	Current rated amount (Rs. crore)	Current rating
<b>HORIZON TRUST JANUARY 2026</b>	Series A PTC	January 30, 2026	4.30%*	July 20, 2031	583.09	Provisional [ICRA]AAA(SO)

\*floating, linked to repo rate

Source: Company

**Annexure II: List of entities considered for consolidated analysis**

Not applicable

## ANALYST CONTACTS

**Manushree Saggar**

+91 124 4545 316

[manushrees@icraindia.com](mailto:manushrees@icraindia.com)

**Sachin Joglekar**

+91 22 6114 3470

[sachin.joglekar@icraindia.com](mailto:sachin.joglekar@icraindia.com)

**Gaurav Mashalkar**

+91 22 6114 3431

[gaurav.mashalkar@icraindia.com](mailto:gaurav.mashalkar@icraindia.com)

**Abhishek Jena**

+91 22 6114 3432

[abhishek.jena@icraindia.com](mailto:abhishek.jena@icraindia.com)

**Swapnali Chavan**

+91 22 6114 3412

[swapnali.chavan@icraindia.com](mailto:swapnali.chavan@icraindia.com)

## RELATIONSHIP CONTACT

**Mr. L. Shivakumar**

+91 22 6114 3304

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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](http://www.icra.in)

## ICRA Limited



### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



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