February 25, 2026

Keertana Finserv Limited: Rating action for PTCs issued under micro enterprise loan receivables securitisation transaction

Summary of rating action

Trust name	Instrument*	Initial rated amount (Rs. crore)	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating Action
Achernar 10 2024	Series A1(a) PTCs	27.25	27.25	0.37	[ICRA]A+(SO); Reaffirmed
	Series A1(b) PTCs	3.11	3.11	3.11	[ICRA]A(SO); Reaffirmed

**Instrument details are provided in Annexure-I*

Rationale

The pass-through certificates (PTCs) are backed by micro enterprise loan receivables originated by Keertana Finserv Limited (KFL/Originator; rated [ICRA]BBB(Stable). The rating reaffirmation for the trust factors in the build-up of the credit enhancement cover over the future investor payouts on account of high amortisation of pool and PTC. The rating also draws comfort from the fact that the breakeven collection efficiency is nil to lower than the actual collection level observed in the pools till February 2026 payout month.

Pool performance summary

Parameter	Achernar 10 2024
Payout month	February 2026
Months post securitisation	15
Pool amortisation	75.3%
Series A1 (a) PTCs amortisation	98.7%
Series A1 (b) PTCs amortisation	0.0%
Cumulative collection efficiency[1]	82.2%
Loss-cum-30+ days past due (dpd) (% of initial pool)[2]	23.5%
Loss-cum-90+ dpd (% of initial pool)[3]	20.1%
Cumulative CC utilisation	Nil
Breakeven collection efficiency - Series A1 (a) PTCs[4]	Nil
Breakeven collection efficiency - Series A1 (b) PTCs	22.2%
CC (% of balance pool)	12.2%
Excess interest spread - Series A1 (a) PTCs (EIS; % of balance pool)[5]	6.7%

[1](Cumulative current and overdue collections till date)/Cumulative billing till date

[2]Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 30 days, as a % of Initial pool principal

[3]Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 90 days, as a % of Initial pool principal

[4](Balance cash flows payable to investor – CC available)/Balance pool cash flows

[5](Pool Cash flows – PTC Cash flows – Originator's principal portion) / Pool Principal outstanding

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout to Series A1(a) PTCs and Series A1(b) PTCs on a pari passu basis. Till March 2026 payout month, the principal is expected to be paid on a monthly basis (100% of the pool principal billed) to Series A1(a) PTCs till its redemption followed by the expected principal payout to Series A1(b) PTCs. From April 2026 payout month, the principal is expected to be paid pari passu to Series A1(a) PTCs and Series A1(b) PTCs on a monthly basis. Principal for both series of PTCs is promised on the respective final maturity dates. Any surplus excess interest spread (EIS), after meeting the promised payouts, will flow back to the Originator on a monthly basis. Till March 2026 payout month, any prepayment in the pool would be used for the prepayment of Series A1(a)PTC principal and post that on a pari passu basis to Series A1(a) PTCs and Series A1(b) PTCs.

Key rating drivers and their description

Credit strengths

For Series A1(a) PTCs:

Substantial credit enhancement available in the structure –The rating factors in the build-up in credit enhancement with the CC fully covering the future Series A1(a) PTC payouts to the investors, on account of significant pool and PTC amortisation

Adequate servicing capability – The company has adequate processes for servicing the loan accounts in the securitised pools. It has a demonstrated track record of ~5 years of regular collections and recovery in the microfinance portfolio. Further, company has been promoted by Ms. Padmaja Reddy, who has vast experience in handling microfinance, gold loans, agriculture and related loans, LAP and MSME loans.

For Series A1(b) PTCs:

Substantial credit enhancement available in the structure – The rating factors in the build-up of credit enhancement with cash collateral increasing to ~12% of the balance pool principal as on February 2026 payout month, as compared to 3% at time of securitisation. Further internal credit support is also available through scheduled EIS and subordination.

Highly amortised pool and PTC – The pool and PTC are highly amortised which has led to increase in credit enhancement coverage for the investor payouts. It has also resulted in high amortisation of the PTC and significant decrease in breakeven collection efficiency. Further, there has been no instances of cash collateral utilisation in the transaction till date.

Adequate servicing capability – The company has adequate processes for servicing the loan accounts in the securitised pools. It has a demonstrated track record of ~5 years of regular collections and recovery in the microfinance portfolio. Further, company has been promoted by Ms. Padmaja Reddy, who has vast experience in handling microfinance, gold loans, agriculture and related loans, LAP and MSME loans.

Credit challenges

For Series A1(a) PTCs: Not applicable

For Series A1(b) PTCs:

Declining collections in the pool – The monthly collection efficiency has seen a deterioration since a few months and reported below 80%, which has further resulted in high delinquencies in the pool with 90+ dpd at ~20% as on February 2026 payout month. Nonetheless, the pool and PTC have amortised significantly which has led to decrease in the breakeven collection efficiency (BECE). Hence, BECE is lower as compared to the collection levels observed.

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. 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 last fiscal on account of multiple factors like natural calamities, borrower overleveraging and attrition in collection teams in certain regions. Any sustained impact of these factors on the collections from the pool would be a key 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 based on 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 8.75% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 3.0% to 9.0% 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 transactions are as follows:

Transaction Name	Achernar 10 2024
Originator	Keertana Finserv Limited
Servicer	Keertana Finserv Limited
Trustee	Axis Trustee Services Limited
CC bank	ESAF Small Finance Bank Limited
Collection and payout account bank	ICICI Bank Limited

Liquidity position: Superior

Series A1(a) PTC: Superior - The liquidity is superior for PTC Series A1(a) as CC fully covers future PTC payouts

Series A1(b) PTC: Adequate - The liquidity for Series A1(b) PTCs is adequate after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~2.25 times the estimated loss in the pool.

Rating sensitivities

For Series A1(a) PTCs:
Positive factors – Not Applicable

Negative factors – The rating is unlikely to be downgraded as the CC available in the transaction is sufficient to meet the future investor payouts.

For Series A1(b) PTCs:
Positive factors – The rating could be upgraded when CC is fully covering the balance PTC payouts to the investors.

Negative factors – The sustained weak collection performance of the underlying pool of contracts, 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 could also exert pressure on the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Securitisation Transactions
Parent/group Support	Not Applicable

Analytical approach	Comments
Consolidation/standalone	Not Applicable

The rating action is based on the performance of the pools till February 2026 (payout month), the present delinquency levels and the credit enhancement available in the pools, and the performance expected over the balance tenure of these pools.

About the originator

Keertana Finserv Limited (Keertana/KFL) is a non-deposit taking NBFC. It was incorporated in February 1996 as Rajshree Tracom Pvt Ltd and received its NBFC licence in 2001 from the RBI. The company was dormant with no business till the current promoters acquired it at the end of March 2022. Following the approval from the RBI for a change in management and control, the current promoters purchased all the shares of the erstwhile promoters. The company is currently managed by Ms. Padmaja Reddy, the erstwhile Managing Director of Spandana Sphoorthy Financial Limited (SSFL; NBFC-MFI). Keertana acquired its gold loan business from SMBT (Rs. 191 crore) and the MSME business from SRUDO (Rs. 14 crore) as per a business transfer agreement dated April 04, 2022.

Key financial indicators (Audited)

Keertana Finserv Limited	FY2024	FY2025	H1 FY2026*
Total income	276.8	484.7	296.9
Profit after tax	71.6	65.9	11.3
Assets Under Management	1,733.1	2,637.3	3,131.1
Gross stage 3	0.0%	0.8%	2.1%
CRAR	23.7%	25.1%	25.4%

*Source: Company, ICRA Research; Amount in Rs. crore; *provisional*

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

Trust Name	Instrument	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
	Current Rating (FY2026)			Chronology of Rating History for the Past 3 Years				
				Feb 25, 2026	Feb 28, 2025	Nov 06, 2024	-	-
Achernar 10 2024	Series A1(a) PTCs	27.25	0.37	[ICRA]A+(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-
	Series A1(b) PTCs	3.11	3.11	[ICRA]A(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Series A1(a) PTCs	Highly Complex
Series A1(b) PTCs	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'scredit 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	Current Amount Rated (Rs. crore)	Current Rating
Achernar 10 2024	Series A1(a) PTCs	October 24, 2024	12.55%	July 09, 2026	0.37	[ICRA]A+(SO)
	Series A1(b) PTCs	October 24, 2024	13.70%	July 10, 2026	3.11	[ICRA]A(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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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.

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