

March 09, 2026

Muthoot Fincorp Limited: Provisional [ICRA]AA+(SO) assigned to PTC Series A1 issued by Vector 2026, backed by a pool of unsecured small business loans

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Vector 2026	PTC Series A1	25.00	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 unsecured small business loans (SBLs) receivables originated by Muthoot Fincorp Limited {MFL/Originator} with an aggregate principal outstanding of Rs. 29.41 crore (pool receivables of Rs. 35.12 crore). MFL would be acting 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 provisional 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 payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of PTC Series A1 principal.

The credit enhancement available in the structure is in the form of cash collateral of 5.00% of the initial pool principal (Rs. 1.47 crore to be provided by the Originator) (ii) principal subordination of 10.00% of the initial pool principal for PTC Series A1 and (iii) the excess interest spread (EIS) of 13.51% of the initial pool principal for PTC Series A1.

Key rating drivers and their description

Credit strengths

Granular pool supported by availability of credit enhancement – The pool is granular, consisting of 3,298 obligors, with the top 10 obligors accounting for 1.07% of the pool principal as on the cut-off date, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC, overcollateral and EIS would absorb a part 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 were no overdue contracts as on the cut-off date. Further, all of the contracts in the pool have never been delinquent in the past which is a credit positive.

Seasoned contracts in the pool – The pool has an average seasoning of ~6 monthly instalments on the cut-off date. This reflects the repayment track record and buildup in borrower equity which is a credit positive.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz. Tamil Nadu, Karnataka and Kerela, contributing ~85% 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.

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.

Lower track record of originator – The originator has lower track record for servicing the loan accounts in the unsecured business loan segment. The majority of book building has happened in last few months and portfolio has lower seasoning with delinquencies in portfolio yet to stabilise.

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 5.75% of the pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 6% 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 rating for the instrument.

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 would be ~4.75 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 (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 (Muthoot Fincorp) could also exert pressure on the rating.

Analytical approach

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

The rating action is based on the analysis of the performance of MFL’s unsecured business loan portfolio till December 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.

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. 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 rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at www.icra.in.

About the originator

Muthoot Fincorp Limited (MFL) is a Thiruvananthapuram-based non-deposit-taking NBFC and part of the Muthoot Pappachan Group. Established in 1997, the company initially focused on gold loans, providing small-ticket secured credit to customers in semi-urban and rural markets. Over the years, MFL has diversified its offerings to include business loans, loans against property, supply-chain finance, and personal loans through its Secured & Unsecured Lending Business (SULB) division. The company also distributes mutual funds and general and life insurance products and operates in the money transfer segment and foreign exchanges through its branches.

Key financial indicators (audited)

	FY2024	FY2025	H1FY2026
	Audited	Audited	Audited
Total Income	4,013	5,551	3,571
Profit after tax	563	787	568
Total managed assets	27,746	40,343	47,003
Gross NPA (%)	1.6%	2.0%	1.4%
Capital to risk weighted assets ratio (%)	20.0%	19.5%	18.9%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount 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					
		Amount rated (Rs crore)	March 09, 2026	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Vector 2026	PTC SERIES A1	25.00	Provisional [ICRA]AA+(SO); Assigned	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
PTC SERIES A1	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
Vector 2026	PTC Series A1	March 02,2026	9.60%	November 15, 2027	25.00	Provisional [ICRA]AA+(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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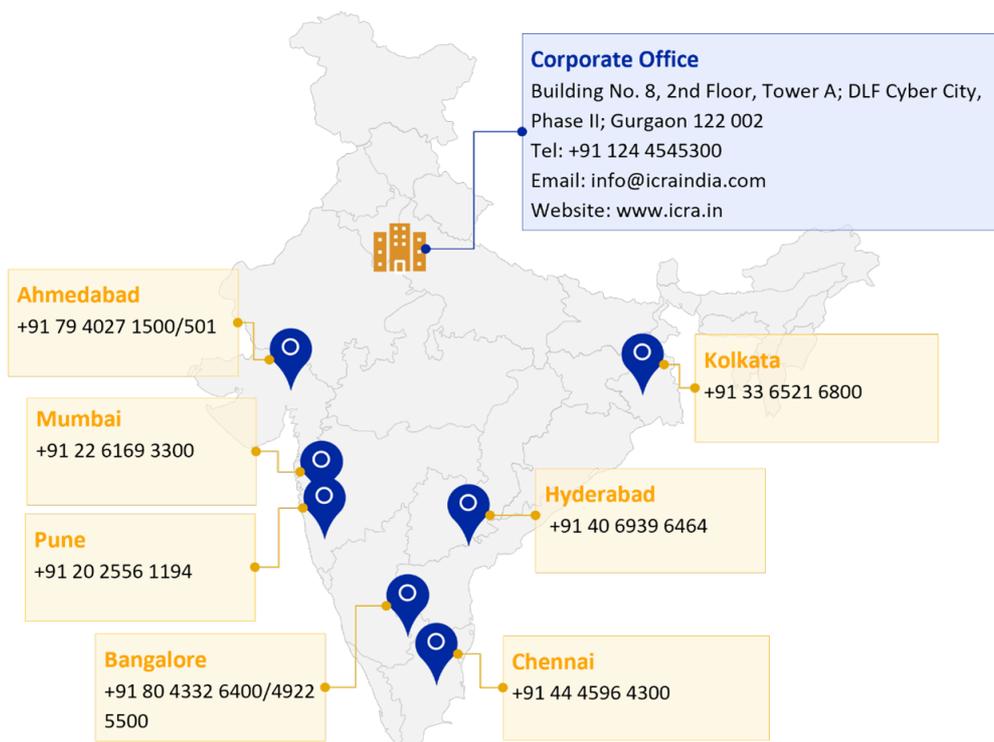


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