

March 16, 2026

Arthan Finance Private Limited: Rating upgraded for PTCs issued under a secured MSME loans securitisation transaction

Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
2023 SBL MISSOURI	Series A PTC	5.42	2.52	0.56	[ICRA]A-(SO); Upgraded from [ICRA]BBB+(SO)

*Instrument details are provided in Annexure I

Rationale

The pass-through-certificate (PTCs) are backed by a pool of secured micro, small & medium enterprise (MSME) loan receivables originated by Arthan Finance Private Limited {AFPL/Originator; rated [ICRA]BB+(Stable)}. AFPL would also act as the servicer for the transaction.

The rating upgrade factors in the build-up of the credit enhancement cover over the future PTC payouts on account of the high pool amortisation. The available cash collateral (CC) is covering the significant balance PTC payouts as on February 2026 payout month.

Pool performance summary

Particulars	2023 SBL MISSOURI
Payout month	Feb-26
Months post securitisation	26
Pool amortisation	70.33%
Series A PTC amortisation	89.71%
Cumulative collection efficiency ¹	96.07%
Loss-cum-30+ days past due (dpd) ² (% of initial pool)	9.75%
Loss-cum-90+ dpd ³ (% of initial pool)	6.74%
Cumulative cash collateral (CC) utilisation	0.00%
Cumulative prepayment rate	28.09%
Breakeven collection efficiency ⁴ for Series A PTC	0.26%
CC available (as % of balance pool principal)	33.70%
Principal subordination (% of balance pool) Series A PTC	67.06%
Excess interest spread (EIS ⁵ ; % of balance pool) Series A PTC	30.80%

¹ (Cumulative current and overdue collections till date)/(Cumulative billing till date + Opening overdues at the start of the transaction)

² Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 30 days, as a % of initial pool principal

³ Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 90 days, as a % of initial pool principal

⁴ (Balance cash flows payable to Series A PTC investor – CC available)/Balance pool cash flows

⁵ (Pool Cash flows – Cash flows to Series A PTC investors – Originator's residual share)/Pool Principal outstanding

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 residual cash flows from the pool, after meeting the promised payouts, will be used for the prepayment of Series A PTC principal. Any prepayment in the pool would be used for the prepayment of Series A PTC principal.

Key rating drivers and their description

Credit strengths

Substantial credit enhancement available in the structure – The rating factors in the significant build-up in the credit enhancement such that CC covers 99% of the subsequent PTC payout. Internal credit support is also available through principal subordination along with excess interest spread (EIS).

Servicing capability of Arthan – The company has demonstrated considerable track record of regular collections and recovery across multiple geographies and economic cycles. It also has satisfactory processes for servicing the loan accounts in the securitised pool.

Credit Challenges

Not Applicable

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.

Details of key counterparties

The key counterparties in the rated transaction is as follows:

Transaction Name	2023 SBL MISSOURI
Originator	Arthan Finance Private Limited
Servicer	Arthan Finance Private Limited
Trustee	Catalyst Trusteeship Limited
CC holding bank	RBL Bank
Collection and payout account bank	ICICI Bank

Liquidity position: Superior

The liquidity is superior for PTC Series A1 as CC significantly covers future PTC payouts.

Rating sensitivities

Positive factors – The rating could be upgraded on the sustained strong collection performance of the underlying pool of contracts (monthly collection efficiency >95%), leading to lower-than-expected delinquency levels, and on an increase in the cover available for future investor payouts from the credit enhancement.

Negative factors – The rating could be downgraded on the sustained weak collection performance of the underlying pool of contracts (monthly collection efficiency <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 performance of the pool till January 2026 (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	Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

Arthan Finance Private Limited was incorporated on December 11, 2018. Arthan was established by ex-RBL Bank employees with expertise in sales in the retail segment, MSME lending, business correspondent (BC) partnerships, credit and strategy. It is a non-deposit taking non-banking financial company (NBFC) licensed by the Reserve Bank of India (RBI) with the objective of lending to self-employed entrepreneurs, MSMEs and consumers in India with differentiated models based on new technologies coupled with local expertise.

Arthan is focused on credit/loan availability to budding entrepreneurial customers with digital loan processes and bespoke products, catering to the financial needs of MSMEs to help grow their businesses. The client base includes businesses like kirana stores, hotels and restaurants, pharmacies, hardware shops, servicing garages, small manufacturers and food processors, retail and wholesale traders, etc.

Key financial indicators (standalone)

Arthan Finance	FY2024	FY 2025	9M FY2026
Total income	33.33	40.71	42.42
Profit after tax	-3.30	-6.76	-5.75
Asset under management	124.84	195.67	210.67
Gross stage 3* (%)	5.54%	3.84%	2.25%
CRAR	16.45%	28.05%	21.36%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

*Gross stage 3% as percentage of AUM stood at 4.43%, 3.06% and 1.85% as on March 31, 2024, March 31, 2025 and December 31, 2025 respectively.

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 Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2026	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023
				Mar 16, 2026	Mar 20, 2025	Mar 20, 2024	Jan 05, 2024	-
2023 SBL MISSOURI	Series A PTC	5.42	0.56	[ICRA]A-(SO)	[ICRA]BBB+(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(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	Coupon Rate (p.a.p.m.)	Final Maturity Date	Current Amount Rated (Rs. crore)	Current Rating
2023 SBL MISSOURI	Series A PTC	December 29, 2023	13.50%	August 17, 2026	0.56	[ICRA]A-(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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