

March 31, 2026

Muthoot Capital Services Limited: Provisional ratings assigned to instruments backed by a pool of two-wheeler loans receivables

Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
Whitford 03 2026	SN Series A1	98.12	Provisional [ICRA]AA+(SO); Assigned
	Equity Tranche	5.58	Provisional [ICRA]A+(SO); Assigned

*Instrument details are provided in Annexure I

Rating in the absence of pending actions/documents

No ratings would have been assigned as it would not be meaningful

Rationale

The securitisation notes (SNs) and equity tranche are backed by a pool of two-wheeler loan receivables originated by Muthoot Capital Services Limited (MCSL/Originator; rated [ICRA]A+(Stable)) with an aggregate principal outstanding of Rs. 111.51 crore (pool receivables of Rs. 134.17 crore). MCSL would be acting as the servicer for the transaction.

The provisional ratings are 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 ratings are 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 promised cashflow schedule for SN Series A1 on a monthly basis will comprise interest (at the pre-determined yield) on the o/s SN principal on each payout date and 88% of the billed principal on each payout date and the entire balance principal on the final maturity date. On each payout date, all excess cashflow, after meeting the promised SN Series A1 interest and promised principal payouts, will be paid out to meet the expected SN Series A1 (to the extent of 12% of pool principal billing. All prepayment amounts would be passed on to SN Series A1 (till the SN Series A1 principal is not fully amortized) every month and its future payouts revised accordingly. The excess interest spread (EIS) available after meeting the expected and promised SN payments will be passed on to originator (in case there are no EIS trigger events). In case of an EIS trigger event, the entire EIS available will be used for accelerated redemption of SN Series A1 (until SN Series A1 are outstanding) and then to equity tranche. Equity Tranche is subordinated to SN Series A1 and entire principal on equity tranche is promised on maturity date. The final maturity date for all tranches is September 19, 2028.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 7.00% of the initial pool principal, amounting to Rs. 7.81 crore, to be provided by the Originator, (ii) principal subordination of 12.00% (5.00% in the form of equity tranche and 7.00% of overcollateral) of the initial pool principal for SN Series A1 and 7.00% of the initial pool principal for Equity Tranche, and (iii) the EIS of 13.94% of the initial pool principal for both SN Series A1 and Equity Tranche.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The current pool is granular (no obligor has more than 0.01% share in the initial pool) thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of CC, subordination and EIS would absorb some amount of the losses in the pool and provide support in meeting the SN payouts.

No overdue contracts in the pool – The initial pool has no overdue contracts as on pool cut-off date which is a credit positive.

Adequate servicing capability of the originator – The company has adequate processes for servicing of the loan accounts in the securitised pool. It has a demonstrated track record of over a decade of regular collections across a wide geography.

Credit challenges

Higher share of high LTV contracts - The proportion of contracts with a loan-to-value (LTV) ratio of more than 80% is high at ~68% (in terms of the principal amount outstanding on the cut-off date). Borrowers with high LTV loans are 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.

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 5.25% of the 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

Liquidity position: Strong for SN Series A1

The liquidity for SN 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 ~5 times the estimated loss in the pool.

Liquidity position: Strong for Equity Tranche

The liquidity is strong for Equity Tranche after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be ~4 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 ratings upgrade.

Negative factors – The sustained weak collection performance of the underlying pool of contracts (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a ratings downgrade. Weakening in the credit profile of the servicer (MCSL) could also exert pressure on the ratings.

Analytical approach

The rating action are based on the analysis of the performance of MCSL’s 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.

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 ratings are provisional and would be converted into a final rating 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

Established in 1994 by the Muthoot Pappachan Group, Muthoot Capital Services Limited, is a Deposit-taking Non-Banking Finance Company (NBFC) registered with the Reserve Bank of India. As an NBFC under the group, the company offers retail finance products including primarily two-wheeler loans along with financing of used car, three-wheeler, other CVs and business loans to corporates (largely NBFCs) and investment products in the form of fixed deposits through the network of branches of Muthoot Fincorp Limited, the dealership points and various other means. As of December 2025, the company had operations across 399 districts in 23 states.

MCSL’s equity shares have been listed on the BSE since April 1995 and on NSE since August 2015. As of December 2025, the promoters together held 63.3% of the stake in the company. The company has an AUM of Rs. 3,399 crore as of December 2025 with operations spread across 23 states.

Key Financial Indicators

Muthoot Capital Services Limited (standalone)	FY2024 (audited)	FY2025 (audited)	9M FY 2026 (Provisional)
Interest income	396.1	470.8	453.5
Profit after tax	122.7	45.7	5.8
Total assets	2,479.6	3,691.50	4,064.70
Gross stage 3	10.2%	4.90%	6.50%
CRAR	31.3%	22.40%	22.50%

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	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
			March 31, 2026	-	-	-
Whitford 03 2026	SN Series A1	98.12	Provisional [ICRA]AA+(SO)	-	-	-
	Equity Tranche	5.58	Provisional [ICRA]A+(SO)			

Complexity level of the rated instrument

Instrument	Complexity Indicator
SN Series A1	Highly Complex
Equity Tranche	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

ISIN	Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Amount Rated (Rs. crore)	Current Rating
NA	Whitford 03 2026	SN Series A1	March 27, 2026	9.20%	September 19, 2028	98.12	Provisional [ICRA]AA+(SO)
NA		Equity Tranche	March 27, 2026	-	September 19, 2028	5.58	Provisional [ICRA]A+(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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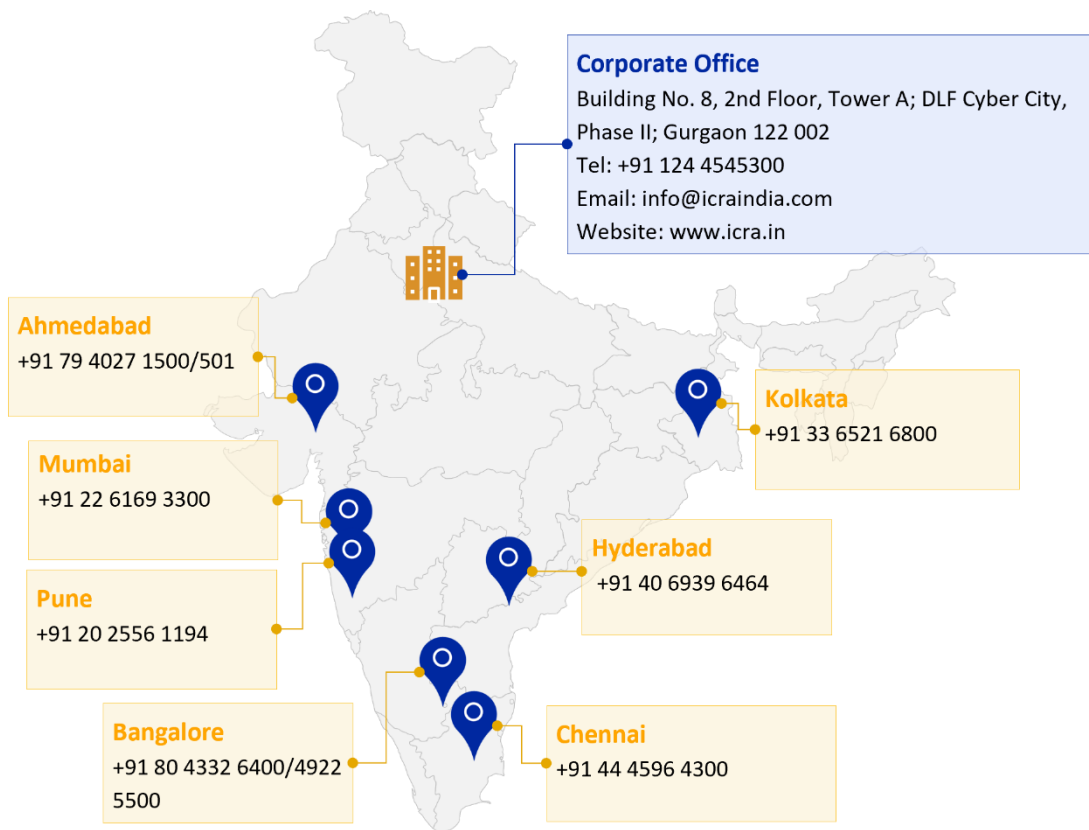
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