

April 27, 2026

Northern Arc Capital Limited: Ratings confirmed as final for PTCs backed by a pool of consumer finance loan receivables

Summary of rating action

Trust Name	Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Rudra Securitisation Trust IV	Series A1 PTC	97.77	97.77	[ICRA]AA+(SO); provisional rating confirmed as final
	Equity PTC	5.55	5.55	[ICRA]A+(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure II

Rationale

In September 2025, ICRA had assigned provisional rating to the pass-through certificates (PTCs) issued by Rudra Securitisation Trust IV. The PTCs are backed by a pool of consumer finance loan receivables originated by Northern Arc Capital Limited {NACL/Originator; rated [ICRA]AA-(Stable)} through co-lending partnerships with an aggregate principal outstanding of Rs. 111.10 crore (pool receivables of Rs. 152.80 crore). NACL is also the servicer for the rated transaction.

Since the executed transaction documents are in line with the rating conditions and the legal opinion for the transaction has been provided to ICRA, the said ratings have now been confirmed as final.

Pool performance summary

Parameter	Rudra Securitisation Trust IV
Payout month	March 2026
Months post securitisation	6
Pool amortisation	28.0%
Series A1 PTC amortisation	31.8%
Equity Tranche amortisation	0.0%
Cumulative prepayment rate	13.1%
Cumulative collection efficiency ¹	99.4%
Loss-cum-0+ days past due (dpd) ²	3.6%
Loss cum 30+ dpd ³	1.8%
Loss cum 90+ dpd ⁴	0.6%
Cumulative cash collateral (CC) utilisation	0.0%

Transaction structure

As per the transaction structure, till Series A1 PTC is outstanding, the monthly cash flow schedule comprises the promised interest payout to Series A1 PTC. The Series A1 PTC 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 equity PTC principal is then expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. Any prepayment in the pool would be used

¹Cumulative collections till date including advance collections but excluding prepayments / Cumulative billings till date + Opening overdues

²POS on contracts aged 0+ dpd + Overdues / Initial POS on the pool

³POS on contracts aged 30+ dpd + Overdues / Initial POS on the pool

⁴POS on contracts aged 90+ dpd + Overdues / Initial POS on the pool

for the prepayment of the Series A1 PTC principal. The residual cash flow from the pool, after meeting the promised and expected payouts, will be passed on to the Originator.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 6.00% of the initial pool principal, amounting to Rs. 6.67 crore, provided by the Originator, (ii) subordination of 12.00% of the initial pool principal for Series A1 PTC and 7.00% of the initial pool principal for the equity PTC, and (iii) the excess interest spread (EIS) of 27.27% of the initial pool principal for Series A1 and equity PTCs.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The pool is granular, consisting of 5,366 contracts, with the top 10 obligors forming only 0.40% of the pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC, subordination and EIS would absorb some of the losses in the pool and provide support in meeting the PTC payouts.

Seasoned contracts in the pool with no overdues – The pool had a weighted average seasoning of ~12 months with no delinquent contracts as on the cut-off date. This reflects the borrowers' relatively better credit profile, which is a credit positive.

Track record of co-lending operations – NACL has a record of over four years of partnership in the consumer finance loan category. It has adequate underwriting policies and collection procedures across a wide geography. The company has sufficient processes for servicing the loan accounts in the securitised pool. The collections received from borrowers are deposited in the escrow account controlled by NACL, indicating no commingling risk.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the 3 three states, viz. Maharashtra, Tamil Nadu and Karnataka, contributing 53.5% to the initial pool principal. Its 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 macroeconomic 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 pool is exposed to the inherent credit risk associated with the unsecured nature of the asset class and the fact that recoveries from delinquent contracts tend to be lower.

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 5.50% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 4.8% to 18% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidence 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.

Details of key counterparties

The key counterparties in the rated transaction are as follows:

Transaction Name	Rudra Securitisation Trust IV
Originator	Northern Arc Capital Limited
Servicer	Northern Arc Capital Limited
Trustee	Catalyst Trusteeship Limited
CC holding bank	ICICI Bank
Collection and payout account bank	ICICI Bank

Liquidity position: Strong

The liquidity for the Series A1 and equity PTCs is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement for the Series A1 and equity PTCs would be ~5.75 times and ~5.00 times, respectively, the estimated loss in the pool.

Rating sensitivities

Positive factors – The ratings could be upgraded on the strong collection performance of the underlying pool (monthly collection efficiency >95%) on a sustained basis, leading to the build-up of the credit enhancement cover for the remaining payouts.

Negative factors – Pressure on the ratings 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 (NACL) could also exert pressure on the ratings.

Analytical approach

The rating action is based on the trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

Analytical Approach	Comments
Applicable rating methodologies	Securitisation Transactions
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

About the originator

NACL is a systemically important non-banking financial company (NBFC). It acts as a platform in the financial services sector with the objective of catering to the diverse credit requirements of underserved households and businesses by providing access to debt finance. This is done either through direct lending and investments or by providing syndication and structuring services. The company commenced its business by targeting microfinance institutions (MFIs) and has diversified into other sectors including micro, small, and medium enterprise (MSME) finance, vehicle finance (includes commercial vehicle and two-wheeler finance), consumer finance, affordable housing finance and agricultural supply chain finance. Further, over the years, NACL has steadily diversified across products, geographies, and borrower segments. Nimbus, NACL's proprietary technology system, forms the backbone of its growth as a platform and enables the scaling up of business operations with execution and functional efficiencies and data analytics.

NACL's equity shares were listed on NSE and BSE in September 2024. As of June 2025, on a fully-diluted basis, Leapfrog Financial Inclusion India II Limited was the largest shareholder with a stake of 16.2%, followed by Augusta Investments II Pte Ltd (16.0%), Eight Roads Investments (Mauritius) (II) Limited (7.4%), International Financial Corporation (IFC; 6.1%), Dvara Trust (3.7%), Accion (4.0%), SMBC (3.8%) and others (42.9%).

Key financial indicators

NACL (consolidated)	FY2024 (Audited)	FY2025 (Audited)	H1 FY2026* (Provisional)
Total income	1,906	2,356	1,236
Profit after tax *	318	303	172
Total managed assets	12,654	14,640	15,395
Gross stage 3#	0.5%	1.0%	1.2%
CRAR#	18.3%	24.7%	24.6%

Source: Company, ICRA Research; *Excludes share of profit/loss from associates; #Standalone; Amount in Rs. crore; All ratios as per ICRA's calculations

Status of non-cooperation with previous CRAs: Not applicable

Any other information: None

Rating history for past three years

Trust name	Instrument	Current rating (FY2027)		Chronology of rating history for the past 3 years			
		Initial rated amount (Rs. crore)	Current rated amount (Rs. crore)	Date & rating in FY2027	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024
				Apr 27, 2026	Sep 30, 2025	-	-
Rudra Securitisation Trust IV	Series A1 PTC	97.77	97.77	[ICRA]AA+(SO)	Provisional [ICRA]AA+(SO)	-	-
	Equity PTC	5.55	5.55	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs (\$)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI

15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Complexity level of the rated instrument

Instrument	Complexity indicator
Series A1 PTC	Highly Complex
Equity 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 II: Instrument details

Trust name	Instrument	Date of issuance / sanction	Coupon rate (p.a.p.m.)	Maturity date	Current rated amount (Rs. crore)	Current rating
Rudra Securitisation Trust IV	Series A1 PTC	September 29, 2025	8.97%	March 17, 2029	97.77	[ICRA]AA+(SO)
	Equity PTC		NA		5.55	[ICRA]A+(SO)

Source: Company

Annexure III: List of entities considered for consolidated analysis

Not applicable

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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.

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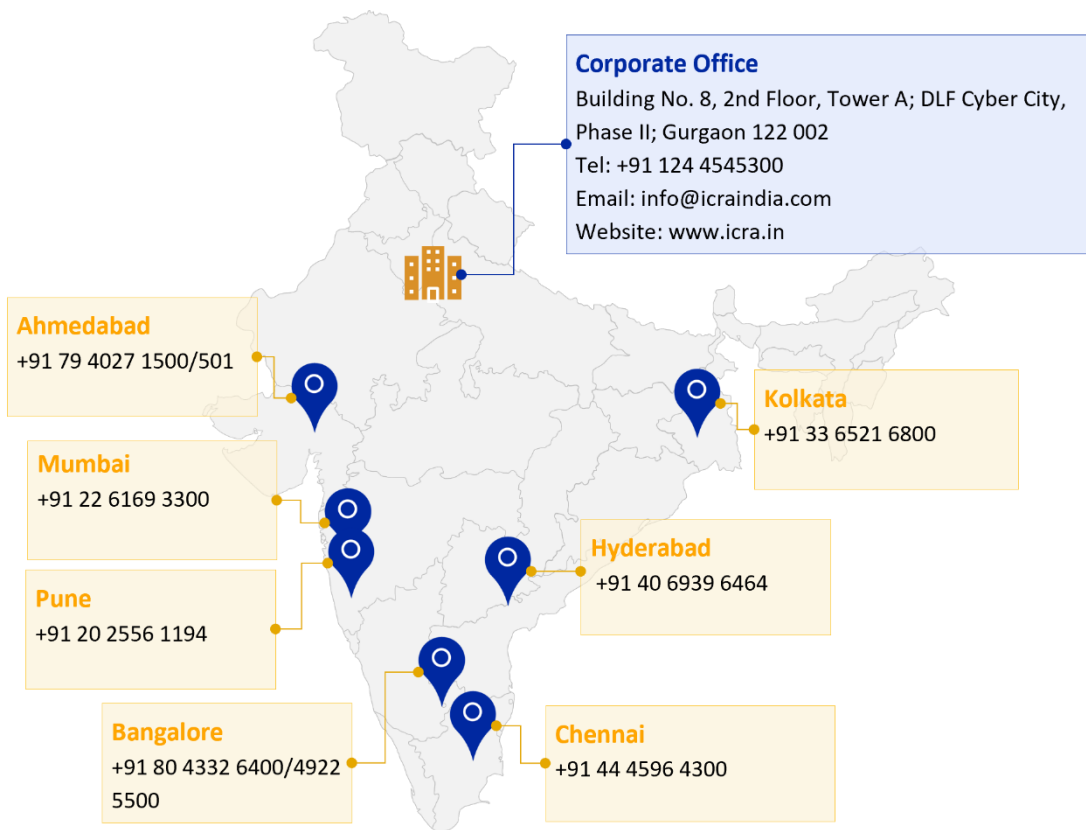
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