

June 08, 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
Inteleon 05 2026	PTC Series A1(a)	63.38	Provisional [ICRA]AAA(SO); Assigned
	PTC Series A1(b)	18.11	Provisional [ICRA]AA(SO); Assigned
	Equity Tranche PTCs	3.62	Provisional [ICRA]A+(SO); Assigned

*Instrument details are provided in Annexure II

Rating in the absence of pending actions/documents

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

Rationale

The pass-through certificates (PTCs) 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. 90.55 crore (pool receivables of Rs. 110.49 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

The promised cashflow schedule for PTC Series A1(a) and PTC Series A1(b) on a monthly basis will comprise interest (at the pre-determined yield) on the respective o/s PTC principal on each payout date and the entire principal being promised on the final maturity date. On each payout date, all excess cashflow, after meeting the promised PTC Series A1(a) and PTC Series A1(b) interest, will be paid out to meet the expected PTC Series A1(a) payout (to the extent of 100% of pool principal billing).

All prepayment amounts would be passed on every month to PTC Series A1(a) (till the PTC Series A1(a) principal is not fully amortized), then PTC Series A1(b) (till the PTC Series A1(b) principal is not fully amortized) and then Equity Tranche PTCs and its future payouts revised accordingly. The excess interest spread (EIS) available after meeting the expected and promised PTC payments will be used for accelerated redemption of PTC Series A1(a) (until PTC Series A1(a) are outstanding) and then passed on to originator post maturity of PTC Series A1(a).

After maturity of PTC Series A1(a), all excess cashflow, after meeting the promised PTC Series A1(b) interest, will be paid out to meet the expected PTC Series A1(b) payout (to the extent of 100% of pool principal billing. After maturity of PTC Series A1(b), all excess cashflow, will be paid out to meet the expected Equity Tranche PTCs (to the extent of 100% of pool principal billing).

The final maturity date for all tranches is May 25, 2029. CC would be used to meet the shortfalls in monthly interest payouts for both PTC Series A1(a) and PTC Series A1(b) and to meet shortfalls in principal payouts firstly to PTC Series A1(a) then PTC Series A1(b) and lastly to Equity Tranche PTCs on final maturity date.

The credit enhancement available in the structure is in the form of (i) a CC of 6.00% of the initial pool principal, amounting to Rs. 5.43 crore, to be provided by the Originator, (ii) principal subordination of 30.00% of the initial pool principal for PTC Series

A1(a), 10.00% of the initial pool principal for PTC Series A1(b) and 6.00% of the initial pool principal for Equity Tranche PTCs, and (iii) the EIS of 16.31% of the initial pool principal for all PTC Series A1(a), PTC Series A1(b) and Equity Tranche PTCs.

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 PTC 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 ~72% (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 5.50% 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 instruments.

Liquidity position

Liquidity position: Superior for PTC Series A1(a)

The liquidity for PTC Series A1(a) is superior after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be more than 8 times the estimated loss in the pool.

Liquidity position: Strong for PTC Series A1(b)

The liquidity for PTC Series A1(b) is strong after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be ~4.5 times the estimated loss in the pool.

Liquidity position: Strong for Equity Tranche PTCs

The liquidity for equity tranche PTCs is strong after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be ~3.75 times the estimated loss in the pool.

Rating sensitivities

Positive factors – Not applicable for PTC Series A1(a). For PTC Series A1(b) and Equity Tranche PTCs, 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 March 2026, 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. MCSL's equity shares have been listed on the BSE since April 1995 and on NSE since August 2015. As of March 31, 2026, the promoters together held 63.3% of the stake in the company. The company has an AUM of Rs. 3,350 crore as of March 2026 with operations spread across 23 states.

Key Financial Indicators

Muthoot Capital Services Limited (standalone)	FY2024 (audited)	FY2025 (audited)	FY 2026 (audited)
Interest income	396.1	470.8	580.9
Profit after tax	122.7	45.7	11.2
Total assets	2,479.6	3,691.5	4,055.6
Gross stage 3	10.2%	4.9%	7.0%
CRAR	31.3%	22.4%	22.0%

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 (FY2027)			Chronology of Rating History for the Past 3 Years		
	Instrument	Amount Rated (Rs. crore)	Date & Rating in FY2027	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023
			June 08, 2026	-	-	-
Inteleon 05 2026	PTC Series A1(a)	63.38	Provisional [ICRA]AAA(SO)	-	-	-
	PTC Series A1(b)	18.11	Provisional [ICRA]AA(SO)	-	-	-
	Equity Tranche PTCs	3.62	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
PTC Series A1(a)	Highly Complex
PTC Series A1(b)	Highly Complex
Equity Tranche 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'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

ISIN	Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Amount Rated (Rs. crore)	Current Rating
NA	Inteleon 05 2026	PTC Series A1(a)	May 29, 2026	8.48%	March 25, 2029	63.38	Provisional [ICRA]AAA(SO)
NA		PTC Series A1(b)	May 29, 2026	9.30%	March 25, 2029	18.11	Provisional [ICRA]AA(SO)
NA		Equity Tranche PTCs	May 29, 2026	-	March 25, 2029	3.62	Provisional [ICRA]A+(SO)

Source: Company

Annexure III: List of entities considered for consolidated analysis

Not Applicable

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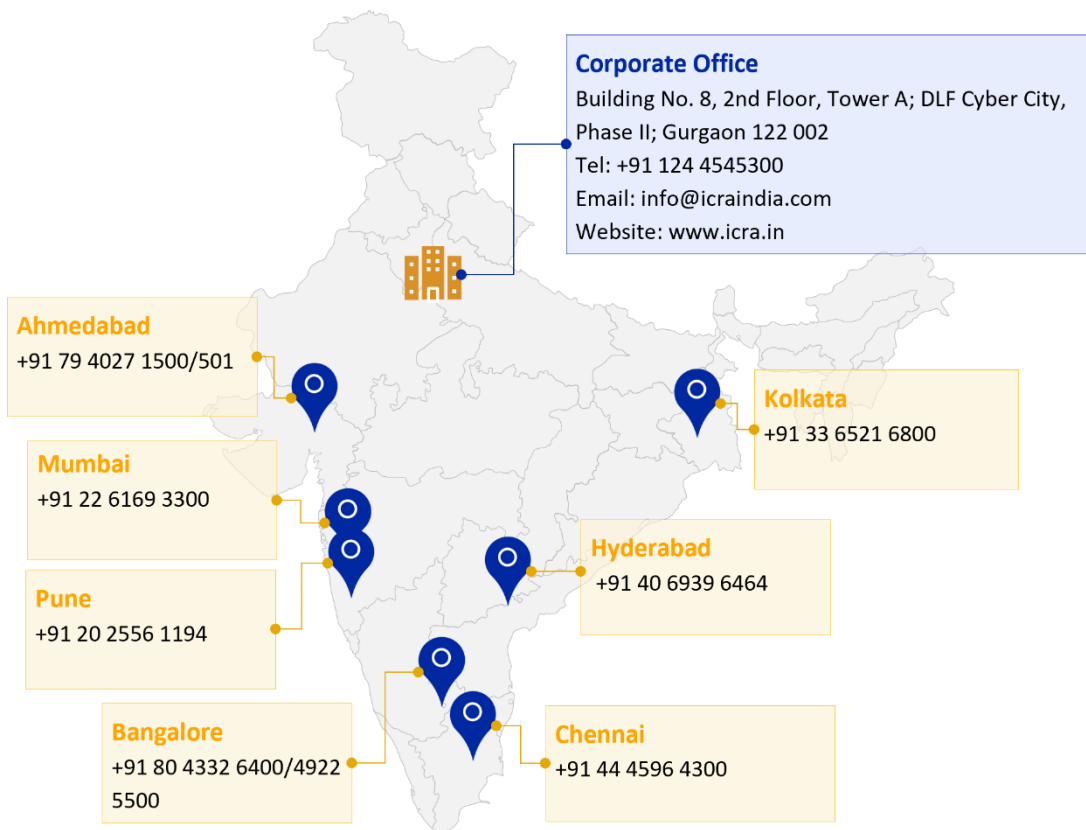
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