June 29, 2026

Muthoot Microfin Limited: Rating reaffirmed for PTCs issued under a microfinance loan 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
SNAPDRONE 04 2025	PTC Series A1	149.76	NA	13.40	[ICRA]AA+(SO); reaffirmed

**Instrument details are provided in Annexure II*

Rationale

The pass-through certificates (PTCs) are backed by a pool of microfinance loan receivables originated by Muthoot Microfin Limited {MML/Originator}. MML is also the servicer for the transaction.

The rating reaffirmation factor in the build-up of the credit enhancement cover over the future PTC payouts on account of high pool amortisation. The rating also draw comfort from the fact that the breakeven collection efficiency is lower than the actual collection levels observed in the pool till the May 2026 payout month.

Pool performance summary

Parameter	SNAPDRONE 04 2025
Payout month	May 2026
Months post securitisation	12
Pool amortisation (as % of initial pool principal)	75.3%
PTC Series A1 amortisation (as % of initial PTC principal)	91.1%
Cumulative collection efficiency[1]	94.0%
Cumulative prepayment rate[2]	16.8%
Loss-cum-30+ days past due (dpd; % of initial pool principal)[3]	7.6%
Loss-cum-90+ dpd (% of initial pool principal)[4]	6.7%
Breakeven collection efficiency[5]	10.0%
Cumulative cash collateral (CC) utilisation	0.0%
CC available (as % of balance pool)	20.3%
Excess interest spread (EIS; as % of balance pool)[6]	10.1%
Principal subordination (% of balance pool principal)	69.0%

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 and expected payouts, will be flow back to the originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of the PTC Series A1 principal.

[1] *Cumulative collections / (Cumulative billings + Opening overdue at the time of securitisation)*
[2] *Principal outstanding at the time of prepayment of contracts prepaid till date / Initial pool principal*
[3] *Unbilled and overdue principal portion of contracts delinquent for more than 30 days, as a % of Initial pool principal*
[4] *Unbilled and overdue principal portion of contracts delinquent for more than 90 days, as a % of Initial pool principal*
[5] *(Balance cash flows payable to investor – CC available) / Balance pool cash flows*
[6] *(Pool cash flows till PTC maturity month – Cash flows to PTC A1/A1(a)/A1(b) – Originator's residual share) / Pool principal outstanding*

The transaction has certain trigger events defined, on occurrence of which the residual cash flows would be passed on to PTC Series A1 investors.

Key rating drivers and their description

Credit strengths

Substantial credit enhancement available in the structure – The rating factors in the build-up in the credit enhancement with the subordination increasing to ~69% of the balance pool principal from 14.50% at the time of securitisation. Credit support is also available through cash collateral (CC) of ~20.3% and excess interest spread (EIS) of ~10.0% of the balance pool principal. There has been no CC utilisation in the pool in any of the months post securitisation.

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 multiple geographies.

Credit challenges

Higher than expected delinquencies in the pool - The pool has seen higher delinquency than ICRA expectations. While there is slowdown in roll forward in softer delinquency buckets in recent months, there has been a buildup in delinquencies in harder buckets with loss cum 90+ dpd at 6.7% as on May-26 payout. The collections from the delinquent contracts have been lower, which is expected given the unsecured nature of the loans in the pool. Further, while the monthly collection efficiency in the pool has seen a dip, it is higher than the break-even collection efficiency for the PTCs, which is comforting.

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 their tenure at 4.00% of the initial pool principal with certain variability around it. The average prepayment rate for the 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.

Details of key counterparties

The key counterparties in the rated transaction is as follows:

Transaction name	SNAPDRONE 04 2025
Originator	Muthoot Microfin Limited
Servicer	Muthoot Microfin Limited
Trustee	Catalyst Trusteeship Limited
CC holding bank	Federal Bank Limited
Collection and payout account bank	Federal Bank Limited

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 is more than 6.0 times the estimated loss in the pool.

Rating sensitivities

Positive factors/ Negative factors – The rating is unlikely to be revised, given the low expected balance tenure of the PTCs.

Analytical approach

The rating action is based on the performance of the pools till April 2026 (collection month), the present delinquency levels and the credit enhancement available in the pools, and the performance expected over the balance tenure of the pools.

Analytical approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

About the originator

Muthoot Microfin Limited (MML) is part of the Muthoot Pappachan Group. The Muthoot Pappachan Group is highly diversified, having its presence in Financial Services, Insurance & Broking services, Precious Metals, Automotive, Hospitality, Real Estate, IT Infrastructure, Alternate Energy, Health Care & IT. The company entered into the business of microfinance in the year 2010, as a division of Muthoot Fincorp Ltd. The first branch of Muthoot Microfin was opened in Choolaimedu (Chennai), Tamil Nadu (March 2010). As on Mar-26, the company has 1,670 branches (increased from 1,508 branches as on Mar-24) across 19 states. As of Mar-26, the company had a total portfolio size of about Rs. 14,006 crore with a borrower base of over 32 lakh. The company focusses on microfinance loans and has forayed into Individual loans, Gold loans and Micro-LAP.

Particular	FY2024	FY2025	FY2026
	(Audited)	(Audited)	(Audited)
Total Income	2,285.5	2,564.4	2,380.7
Profit after Tax	449.6	-222.5	170.3
Assets under Management	12,193	12,357	14,006
Gross Stage 3	2.3%	4.8%	3.9%
CRAR	29.0%	27.9%	23.9%

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	Current rating (FY2027)				Chronology of rating history for the past 3 years			
	Instrument	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
				June 29, 2026	June 16, 2025	May 30, 2025	-	-
SNAPDRONE 04 2025	PTC Series A1	149.76	13.40	**[ICRA]AA+(SO)**	**[ICRA]AA+(SO)**	**Provisional [ICRA]AA+(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 Mutal 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 instruments

Trust name	Instrument	Complexity indicator
SNAPDRONE 04 2025	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 II: Instrument details

Trust name	Instrument type	Date of issuance/ Sanction	Coupon rate (p.a.p.m.)	Maturity date	Current amount rated (Rs. crore)	Current rating
SNAPDRONE 04 2025	PTC Series A1	May 26, 2025	8.50%	February 18, 2027	13.40	[ICRA]AA+(SO)

Source: Company

Annexure III: List of entities considered for consolidated analysis

Not applicable

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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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