June 30, 2025

Keertana Finserv Limited: Ratings upgraded for PTCs/SNs issued under micro enterprise loan receivables securitisation transactions

Summary of rating action

Trust name	Instrument*	Initial rated amount (Rs. crore)	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating Action
Coral 02 24	Series A1 PTCs	46.61	46.61	3.54	[ICRA]A+(SO); upgraded from [ICRA]A-(SO)
Amber 04 24	Series A1 SNs	46.08	46.08	7.88	[ICRA]A+(SO); upgraded from [ICRA]A(SO)

**Instrument details are provided in Annexure I*

Rationale

The pass-through certificates (PTCs) are backed by micro enterprise loan receivables originated by Keertana Finserv Limited (KFL/Originator; rated [ICRA]BBB(Stable). The ratings for both the trusts has been upgraded due to the build-up of the credit enhancement (CE) cover over the future PTC/SN payouts, on account of the high amortisation of the underlying pool and PTCs/SNs. The rating also draws comfort from the fact that the breakeven collection efficiency is lower compared to the actual collection level observed in the pools till the May 2025 payout month.

Pool performance summary

Parameter	Coral 02 24	Amber 04 24
Payout month	May 2025	May 2025
Months post securitisation	15	13
Pool amortisation	84.3%	73.4%
PTC/SN amortisation	92.4%	82.9%
Cumulative collection efficiency[1]	91.9%	92.5%
Average monthly prepayment rate	0.1%	0.2%
Loss-cum-30+ days past due (dpd)[2] (% of initial pool)	10.0%	10.5%
Loss-cum-90+ dpd[3] (% of initial pool)	7.4%	7.0%
Cumulative CC utilisation	0.0%	0.0%
Breakeven collection efficiency[4]	23.7%	43.1%
CC (% of balance pool)	19.1%	11.3%
Principal subordination (% of balance pool)[5]	56.5%	43.7%
Excess interest spread (EIS; % of balance pool)[6]	4.8%	5.9%

Transaction structure

For Coral 02 24

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. Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of Series A1 PTC principal.

[1] *(Cumulative current and overdue collections till date)/Cumulative billing till date*
[2] *Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 30 days, as a % of Initial pool principal*
[3] *Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 90 days, as a % of Initial pool principal*
[4] *(Balance cash flows payable to investor – CC available)/Balance pool cash flows*
[5] *(Pool principal – PTC principal) / Pool principal outstanding*
[6] *(Pool Cash flows – PTC Cash flows – Originator's principal portion) / Pool Principal outstanding*

If the 90+ dpd principal outstanding in the pool exceeds 5% of the initial principal outstanding and / or rating downgrades by even a single notch by rating agencies for any instrument/originator, then 100% EIS shall be utilised towards the repayment of the principal payout to the Series A1 investors.

For Amber 04 24

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. Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of Series A1 SN principal.

If the 90+ dpd principal outstanding in the pool exceeds 5% of the initial principal outstanding and / or rating downgrades by even a single notch by rating agencies for any instrument/originator, then 100% EIS shall be utilised towards the repayment of the principal payout to the 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 of credit enhancement with cash collateral increasing to 19% and 12% of the balance pool principal for Coral 02 24 and Amber 04 24 transactions respectively as on May 2025 payout month, as compared to 3% at time of securitisation. Further internal credit support is also available through scheduled EIS and subordination.

Highly amortised pools – The pools for both the transactions are highly amortised which has led to increase in credit enhancement coverage for the investor payouts. It has also resulted in high amortisation of the PTC/SN and significant decrease in breakeven collection efficiency. Further, there has been no instances of cash collateral utilisation in both the transactions till date.

Adequate servicing capability – The company has adequate processes for servicing the loan accounts in the securitised pools. It has a demonstrated track record of ~5 years of regular collections and recovery in the microfinance portfolio. Further, company has been promoted by Ms. Padmaja Reddy, who has vast experience in handling microfinance, gold loans, agriculture and related loans, LAP and MSME loans.

Credit challenges

Declining collections in both the pools – The monthly collection efficiency has seen a deterioration since a few months and reported below 80% for both the pools, which has further resulted in high delinquencies in the pools with 90+ dpd in the range of 8% to 12% as on May 2025 payout month. Nonetheless, the pools and PTC/SN have amortised significantly which has led to decrease in the breakeven collection efficiency (BECE). Hence, BECE is comfortably lower as compared to the collection levels observed for both pools.

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. The performance of microfinance loans would also be exposed to political and communal risks.

Increasing delinquencies in microfinance sector – The microfinance sector has seen a decline in collections and consequently rise in delinquencies in the current fiscal on account of multiple factors like heat wave, general elections, borrower overleveraging and attrition in the collection teams. Any sustained impact of these factors on the collections from the pool would be a key monitorable.

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 pools, ICRA has estimated the shortfall in the pool principal collection during its tenure at 3.50% and 7.50% for Coral 02 24 and Amber 04 24 respectively. The average prepayment rate for both the underlying pools is modelled in the range of 3.0% to 9.0% 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 transactions are as follows:

Transaction Name	Coral 02 24	Amber 04 24
Originator	Keertana Finserv Limited	Keertana Finserv Limited
Servicer	Keertana Finserv Limited	Keertana Finserv Limited
Trustee	Axis Trustee Services Limited	Axis Trustee Services Limited
CC bank	ESAF Small Finance Bank Limited	ESAF Small Finance Bank Limited
Collection and payout account bank	ICICI Bank Limited	ICICI Bank Limited

Liquidity position:

For Coral 02 24 : Series A1 PTC: Strong

The liquidity for Series A1 PTC is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be more than 3.50 times the estimated loss in the pool.

For Amber: Series A1 SNs: Adequate

The liquidity for Series A1 SN is adequate after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be more than 2.00 times the estimated loss in the pool.

Rating sensitivities

Positive factors – The rating could be upgraded when CC is fully covering the balance PTC payouts to the investors.

Negative factors – The sustained weak collection performance of the underlying pool of contracts, leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a rating downgrade. 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 pools till May 2025 (collection month), the present delinquency levels and the credit enhancement available in the pools, and the performance expected over the balance tenure of these pools.

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

About the originator

Keertana Finserv Limited (Keertana/KFL) is a non-deposit taking NBFC. It was incorporated in February 1996 as Rajshree Tracom Pvt Ltd and received its NBFC licence in 2001 from the RBI. The company was dormant with no business till the current promoters acquired it at the end of March 2022. Following the approval from the RBI for a change in management and control, the current promoters purchased all the shares of the erstwhile promoters. The company is currently managed by Ms. Padmaja Reddy, the erstwhile Managing Director of Spandana Sphoorthy Financial Limited (SSFL; NBFC-MFI). Keertana acquired its gold loan business from SMBT (Rs. 191 crore) and the MSME business from SRUDO (Rs. 14 crore) as per a business transfer agreement dated April 04, 2022.

Key financial indicators

Keertana Finserv Limited	FY2023	FY2024	FY2025
Total income	91.8	276.8	484.7
Profit after tax	16.0	71.6	65.9
Assets Under Management	700.6	1,718.1	2,495.6
Gross stage 3	0.0%	0.0%	0.3%
CRAR	26.0%	23.7%	25.1%

Source: Company, ICRA Research; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

S. No.	Trust Name	Current Rating (FY2026)			Chronology of Rating History for the Past 3 Years			
		Instrument	Initial Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Date & Rating in FY2026	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023
					Jun 30, 2025	Jun 27, 2024	Feb 22, 2024	-
1	**Coral 02 24**	Series A1 PTCs	46.61	3.54	[ICRA]A+(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-

S. No.	Trust Name	Current Rating (FY2025)			Chronology of Rating History for the Past 3 Years				
		Instrument	Initial Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Date & Rating in FY2026	Date & Rating in FY2025		Date & Rating in FY2024	Date & Rating in FY2023
					Jun 30, 2025	Jun 27, 2024	Apr 19, 2024	-	-
2	**Amber 04 24**	Series A1 SNs	46.08	7.88	[ICRA]A+(SO)	[ICRA]A(SO)	Provisional [ICRA]A (SO)	-	-

Complexity level of the rated instruments

Trust Name	Instrument	Complexity Indicator
Coral 02 24	**Series A1 PTCs**	Moderately Complex
Amber 04 24	**Series A1 SNs**	Moderately 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 Type	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Current Amount Rated (Rs. crore)	Current Rating
Coral 02 24	Series A1 PTCs	February 20, 2024	12.50%	September 17, 2025	3.54	[ICRA]A+(SO)
Amber 04 24	Series A1 SNs	April 12, 2024	12.30%	November 17, 2025	7.88	[ICRA]A+(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

ANALYST CONTACTS

Manushree Saggar
+91 124 4545 316
manushrees@icraindia.com

Sachin Joglekar
+91 22 6114 3470
sachin.joglekar@icraindia.com

Himanshi Doshi
+91 22 6114 3410
himanshi.doshi@icraindia.com

Mrugesh Trivedi
+91 22 6114 3436
mrugesh.trivedi@icraindia.com

Samratsingh Hazari
+91 22 6114 3400
samratsingh.hazari@icraindia.com

RELATIONSHIP CONTACT

Mr. L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

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.

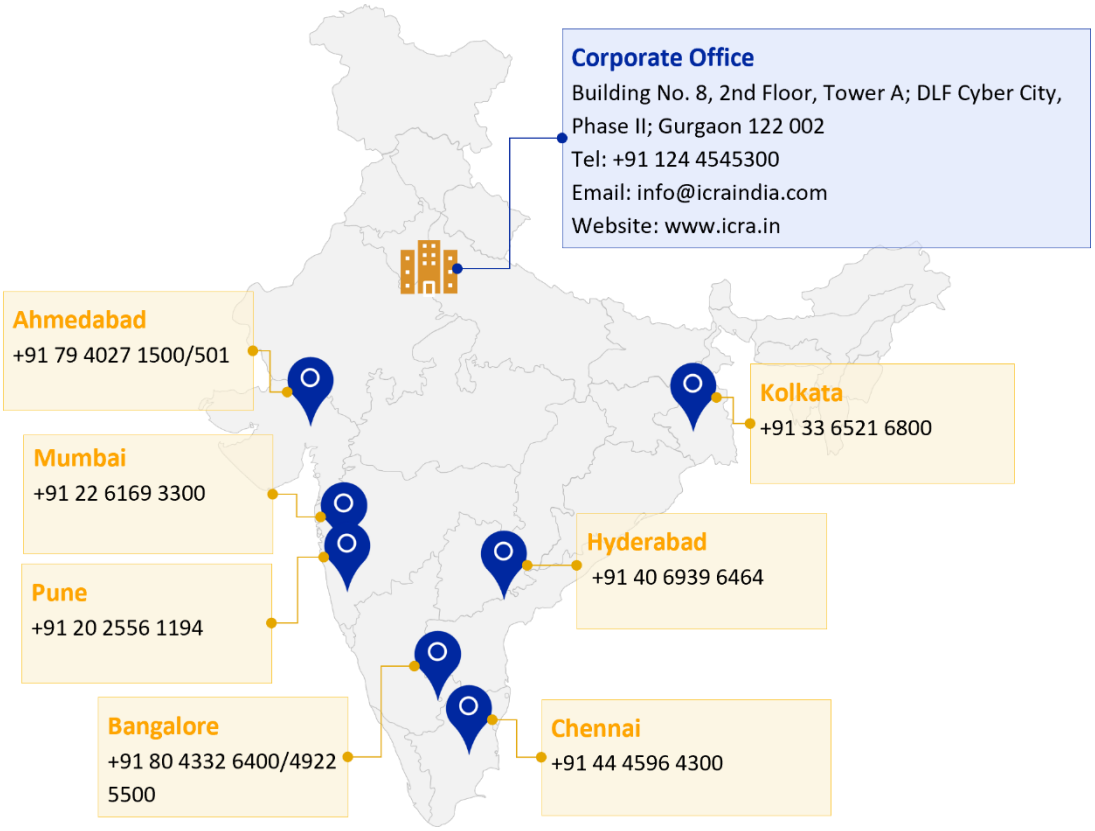
For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



© Copyright, 2025 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.