ICRA

July 17, 2026

Midland Microfin Limited: Rating confirmed as final for PTCs backed by microfinance loan receivables issued by Charon 12 2025

Summary of rating action

Trust name	Instrument*	Previous rated amount (Rs. Crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Charon 12 2025	Series A1 PTCs	17.93	17.93	[ICRA]A+(SO); provisional rating confirmed as final	RBI

**Instrument details are provided in Annexure I*

#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.

Rationale

In February 2026, ICRA had assigned a provisional rating to the Pass-Through Certificates (PTCs) issued by Charon 12 2025 under a securitisation transaction originated by Midland Microfin Limited (MML/Originator). The PTCs are backed by a pool of microfinance loan receivables originated by MML with an aggregate principal outstanding of Rs. 20.85 crore (pool receivables of Rs. 25.15 crore). MML also acts as the servicer for the 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 rating has now been confirmed as final.

Pool performance summary:

Parameter	Charon 12 2025
Payout Month	June 2026
Months post securitisation	6
Pool amortisation	31.7%
Series A1 PTC amortisation	36.9%
Cumulative collection efficiency[1]	98.5%
Cumulative Prepayment rate[2]	2.1%
Loss-cum-0+ dpd[3]	2.8%
Loss-cum-30+ dpd[4]	2.0%
Loss-cum-90+ dpd[5]	1.1%
Cumulative cash collateral utilisation (CC)	0.0%

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. Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, will flow back to the Originator on a

[1] Cumulative collections (incl. advances but excl. prepayments)/ (Cumulative billings + Opening overdue at the time of securitisation)
[2] Principal outstanding at the time of prepayment of contracts prepaid till date / Principal outstanding on the pool at the time of securitisation
[3] Principal outstanding on contracts aged 0+ dpd / Principal outstanding on the pool at the time of securitisation
[4] Principal outstanding on contracts aged 30+ dpd / Principal outstanding on the pool at the time of securitisation
[5] Principal outstanding on contracts aged 90+ dpd / Principal outstanding on the pool at the time of securitisation

monthly basis, unless any of the below mentioned trigger events occur. Any prepayment in the pool would be used for the redemption of the Series A1 PTCs principal.

If the PAR 90 of the pool exceeds 7% of the initial principal outstanding and/or the current collection efficiency falls below 93% for two consecutive months, then the EIS shall be utilized towards repayment of principal payout to Series A1 investors.

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. 1.49 crore, provided by the Originator, (ii) principal subordination/over-collateralisation (OC) of 14.00% of the initial pool principal for Series A1 PTCs, and (iii) the EIS of 12.96% of the initial pool principal for Series A1 PTCs.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The pool is granular, consisting of 5,452 contracts, with top 10 obligors forming less than 0.31% of the pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC, overcollateral and EIS would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts.

Seasoned contracts in the pool – The pool has amortised by almost ~22% as on the cut-off date with no delinquencies observed in any of the contracts, post loan disbursement, thereby reflecting the borrowers' relatively better credit profile.

No overdue contracts in the pool – The pool has been filtered in such a manner that there are no overdue contracts as on the cut-off date. Further, none of the contracts in the pool have ever been delinquent, which is a credit positive.

Adequate servicing capability of Midland– The originator has adequate processes for servicing of the loan accounts in the securitised pool. It has demonstrated a considerable track record of over a decade of regular collections across geographies and multiple economic cycles.

Credit challenges

High geographical concentration - The pool has high geographical concentration with the top 3 states, viz. Rajasthan, Bihar and Uttar Pradesh contributing ~85% to the initial pool principal amount. The concentration remains high even at district-level with top 5 districts accounting for ~20% of the initial pool principal amount. The pool's performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

Increasing delinquencies in microfinance sector – The microfinance sector has seen a decline in collections and consequently rise in delinquencies in the previous 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.

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.

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.

Details of key counterparties

The key counterparties in the rated transaction are as mentioned below:

Transaction Name	Charon 12 2025
Originator	Midland Microfin Limited
Servicer	Midland Microfin Limited
Trustee	Catalyst trusteeship limited
CC holding bank	Au Small Finance Bank
Collection and payout account Bank	ICICI Bank

Liquidity position: Superior

The liquidity for Series A1 PTC is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be 6.50 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 rating 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 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 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	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

Midland Microfin Limited is a registered NBFC-MFI which started microfinance operations in January 2011. Originally, Midland was engaged in hire purchase business and had been incorporated in 1988 under the name 'Sajan Hire Purchase Pvt Ltd'. Sajan Hire Purchase was acquired by Mr. Amardeep Singh Samra's Midland Group in 2010 since Mr. Samra wanted to venture into microfinance. The company got registered with the Reserve Bank of India (RBI) as a non-banking finance company – microfinance institution (NBFC-MFI) in January 2015. As on March 31, 2026, the company is in 16 states and 2 union territories (UT) of India with 613 branches across 269 districts, with assets under management (AUM) of Rs. 2821.12 crores.

Key financial indicators

Particulars	FY2024	FY2025	FY2026
Total Income	532.76	636.45	647.49
Profit after tax	46.83	26.67	33.19
Assets under management (In Rs Cr)	2621.6	2748.8	2821.0
Gross NPA	2.97%	1.47%	1.99%
CRAR	28.34%	31.41%	29.39%

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

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
				July 17, 2026	January 07, 2026	-	-
Charon 12 2025	Series A1 PTCs	17.93	17.93	**[ICRA]A+(SO)**	**Provisional [ICRA]A+(SO)**	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 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 I: Instrument details

Trust Name	Instrument	Date of issuance / Sanction	Coupon rate (p.a.p.m.)	Maturity Date	Current rated amount (Rs. crore)	Current rating	Financial Sector Regulator#
Charon 12 2025	Series A1 PTCs	December 31, 2025	10.00%	August 18, 2027	17.93	[ICRA]A+(SO)	RBI

Source: Company

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Annexure II: 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.

For more information, visit www.icra.in

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