September 01, 2026

InCred Financial Services Limited: Rating assigned/reaffirmed for PTCs issued under a personal loan securitisation transaction

Summary of rating action

Trust name	Instrument*	Initial rated amount (Rs. crore)	Amount O/s after surveillance exercise (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
SAKTHI NOV 2025	PTC Series A1	438.00	NA	410.40	[ICRA]AA(SO); reaffirmed	RBI
	Equity Series PTC	NA**	NA**	37.54	[ICRA]A-(SO); assigned	RBI

**Instrument details are provided in Annexure I*

*** The PTC is already issued and placed in Nov-25*

#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

The pass-through certificates (PTCs) are backed by a pool of personal loan receivables originated by InCred Financial Services Limited {IFSL/Originator; rated [ICRA]AA-(Stable)/[ICRA]A1+}[1]. IFSL is also the servicer for the transaction.

As of the July 2026 payout month the transaction is currently in the replenishment period and the current pool meets the defined eligibility criteria. The ratings action takes into account the increase in credit enhancement cover and healthy pool collections. ICRA has also taken comfort from the defined eligibility criteria, which ensures that the follow-on pools continue to have a better credit profile.

Pool performance summary

Parameter	SAKTHI NOV 2025
Payout month	July 2026
Months post securitisation	8
Pool amortisation (as % of initial pool principal)	0.6%
PTC Amortization	
PTC Series A1	6.3%
Equity Tranche	0.0%
Cumulative collection efficiency[2]	99.8%
Loss-cum-30+ days past due (dpd; % of initial pool principal)[3]	1.7%
Loss-cum-90+ dpd (% of initial pool principal)[4]	0.9%
Cumulative cash collateral (CC) utilisation	0.0%
CC available (as % of balance pool)	3.5%
Principal subordination (% of balance pool principal)	
PTC Series A1	17.5%
Equity Tranche PTC	10.0%

[1] The current rating rationale of the originator, available at this link, provides its detailed rating history and rating transitions.

[2] Cumulative collections / (Cumulative billings + Opening overdue at the time of securitisation)

[3] Principal outstanding (POS) on contracts aged 30+ dpd (pertaining to original pool+ new pool added) / POS on the pool at the time of securitization plus the addition of new pool principle

[4] Principal outstanding (POS) on contracts aged 90+ dpd (pertaining to original pool+ new pool added) / POS on the pool at the time of securitization plus the addition of new pool principle

Transaction structure

As per the transaction structure, the tenure of the pool shall be divided into two periods – replenishment period and amortisation period.

Replenishment period

The replenishment period will be for 12 months from the transaction commencement date. During this period, PTC Series A1 investors will receive only the promised interest payouts on a monthly basis and the balance pool collections will be used by the trust to purchase fresh loan receivables as per the selection criteria such that the pool principal remains unchanged. Further, as per the transaction structure, 50% of the residual pool collections will be used to redeem the PTC Series A1. This will lead to buildup of subordination for the rated instrument.

The transaction also entails certain trigger events for early amortisation. A breach of any of these trigger events would lead to the end of the replenishment period and the start of the amortisation period. If a trigger event occurs at any time during the replenishment period, then the tenure of the PTCs shall be reduced and be co-terminus with the remaining tenure of the pool of receivables assigned to the trust.

Amortisation period

Post the replenishment period the residual pool collections, after meeting the promised interest payout to PTC investors, shall be used to make expected principal payouts to the PTC investors. However, the principal is 'promised' to the investors only on the legal final maturity date of the transaction. The transaction also entails certain trigger events for pool amortisation. A breach of any of these trigger events would result in the replenishment period coming to an end and start of the amortisation period. 50% of the EIS available after meeting the expected and promised PTC payments will be passed on to the investor and rest would leak out to originator (in case there are no EIS trigger events). In case of an EIS trigger event, the EIS available will be used for accelerated redemption of PTC Series A1 until PTC Series A1 are outstanding.

Key eligibility criteria for the receivables

The eligibility criteria shall be met on commencement of the transaction and also at each replenishment event for all the new assets being added as well as for the updated pool (as applicable)

The following key eligibility criteria will have to be met:

- None of the Loans comprise of non-performing assets or any rescheduled or restructured assets;
- None of the Loans have any overdue as on the Cut-Off Date or be overdue on acquisition date
- Annualized Rate of interest (without any fees) on the loans not to exceed [33]% and should not be less than [13.99]%
- Amount Financed no more than Rs [10] Lakhs and no less than Rs [0.75]Lakhs
- Loans should have original maturity of not greater than [60] months
- Single state do not exceed [30]% of the pool, with top 3 not exceeding [70]%
- no more than [41%] of loans by balance have score less than [750 or is NTC] and weighted average pool score of [725]
- New to Credit Customers (NTC) no more than [10%] of the pool
- Minimum weighed average pool seasoning of 7 months
- Weighed average interest Rates no less than [22%]
- Average Loan size no more than [Rs. 3,50,000]
- loans more than 5 Lakhs no more than 25% of the pool
- Loans with FOIR > 65% is no more than 20% of the pool

Turbo trigger events for early amortisation

The following key early amortisation triggers which will lead to end of amortisation period:

- Following the end of the agreed one year revolving period
- A breach of portfolio parameter not rectified in 5 business days
- Any of the EIS trigger events
- Non-payment of any PTC Series A1 owed amounts, not rectified in 2 business days

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement - The current pool is granular with no obligor exceeding 0.01% of the pool principal and the follow-on pools are also expected to be granular, 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 amount of the losses in the pool and provide support in meeting the PTC payouts. Basis the structure of the transaction the EIS would be passed to PTC Series A1 for the replenishing period which would lead to increasing the subordination for PTC Series A1 to 20.6% from 12.5% and for equity tranche 13.1% from 5.0% (assuming 100% collection efficiency and nil prepayment).

Healthy pool performance – The pool's performance has been strong with a cumulative collection efficiency of ~99% till July 2025 collection month, which has resulted in lower delinquencies in the pool with the 90+ days past due (dpd) at 0.9% post July 2026 payout month

No overdue contracts in the pool - The initial pool has no overdue contracts as on pool cut-off date. Further the follow-on pool would also not include any overdue contracts on date of assignment to trust 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 moderate track record of almost five years of regular collections across a wide geography.

Credit challenges

Moderate pool selection criteria - A potential concern pertaining to a replenishing structure is the uncertainty regarding the exact composition of the additional receivables. While the current transaction has a specified eligibility criteria the follow-on pools may have a lower seasoning, lower interest rate contracts, contracts from weaker geographies and moderate share of lower bureau score contracts. A higher presence of lower interest rates contracts would impact the excess interest spread adversely which acts as a credit enhancement in the structure.

Risks associated with lending business - The performance of both the initial and the follow-on pools 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. Both the initial and the follow-on pools are exposed to the inherent credit risk associated with the unsecured nature of the asset class and that recovery from delinquent contracts tends 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. However, since the pool in the current transaction would be revised during the replenishment period, the characteristics of the pool would change unlike other PTC transactions where the pool is static. ICRA has used the defined eligibility criteria to arrive at a potential loss for the follow-on pools. The resulting collections from the current pool and follow-on pools, 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 transaction, ICRA has estimated the shortfall in the pool principal collection during its tenure at 6.25% of the initial pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 3% to 12% 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	SAKTHI NOV 2025
Originator	InCred Financial Services Limited
Servicer	InCred Financial Services Limited
Trustee	Catalyst Trusteeship Limited
CC holding bank	ICICI Bank Limited
Collection and payout account bank	ICICI Bank Limited

Liquidity position

PTC Series A1: Superior

The liquidity for PTC Series A1 is superior after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement is ~6.5 times the estimated loss in the pool for PTC Series A1.

Equity Series PTC: Strong

The liquidity for Equity Series PTC is strong after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement is ~5.25 times the estimated loss in the pool for Equity Series PTC.

Rating sensitivities

Positive factors – Since the principal amortisation would begin on the crystallisation of the final pool, the ratings are unlikely to be upgraded till the final pool is crystallised. The ratings could be upgraded basis the healthy collections observed in the final crystallised pool, leading to the build-up of the credit enhancement cover over the rated PTCs.

Negative factors – The ratings could be downgraded on the occurrence of a trigger event, non-adherence to the key transaction terms and deterioration in the performance of the follow-on pools such that the delinquencies during the amortisation period are higher than expected. Weakening in the credit profile of the servicer (IFSL) could also exert pressure on the ratings.

Analytical approach

The rating action is based on the performance of the pool till the July 2026 payout month, the present delinquency profile of the pool of contracts, the performance expected over the balance pool tenure, and the credit enhancement available in the transaction.

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

About the originator

InCred Financial Services Limited (IFSL; erstwhile "KKR India Financial Services Limited") is a NBFC registered with the RBI. In FY2023, as part of the group restructuring, erstwhile IFSL was merged with KKR India Financial Services Limited and became 100% subsidiary of InCred Holdings Limited (IHL; erstwhile KKR Capital Markets Private Limited), and the shareholders of erstwhile IFSL were given shareholding in IHL. It has its registered office in Mumbai and provides personal loans, educations loans, school financing, Loan Against Property, lending to financial institutions and anchor-based business loans. As of March 2026, the company had operations in 19 states with 166 branches.

Key financial indicators (standalone)

IFSL	FY2024	FY2025	FY2026
Total income	1,292	1,883	2,566
PAT	315	372	444
Total managed assets	10,471	14,523	17,748
Gross stage 3	2.1%	1.9%	2.1%
CRAR	30.4%	26.1%	24.9%

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
				September 01, 2026	December 12, 2025	December 01, 2025	-	-
SAKTHI NOV 2025	PTC Series A1	438.00	410.40	**[ICRA]AA(SO)**	**[ICRA]AA(SO)**	**Provisional [ICRA]AA(SO)**	-	-
	Equity Series PTC	-	37.54	**[ICRA]A-(SO)**	-	-	-	-

Complexity level of the rated instruments

Trust name	Instrument	Complexity indicator
SAKTHI NOV 2025	PTC Series A1	Highly Complex
	Equity Series 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 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	Financial sector regulator#
SAKTHI NOV 2025	PTC Series A1	November 28, 2025	9.15%	March 20, 2031	410.40	[ICRA]AA(SO)	RBI
	Equity Series PTC		Nil		37.54	[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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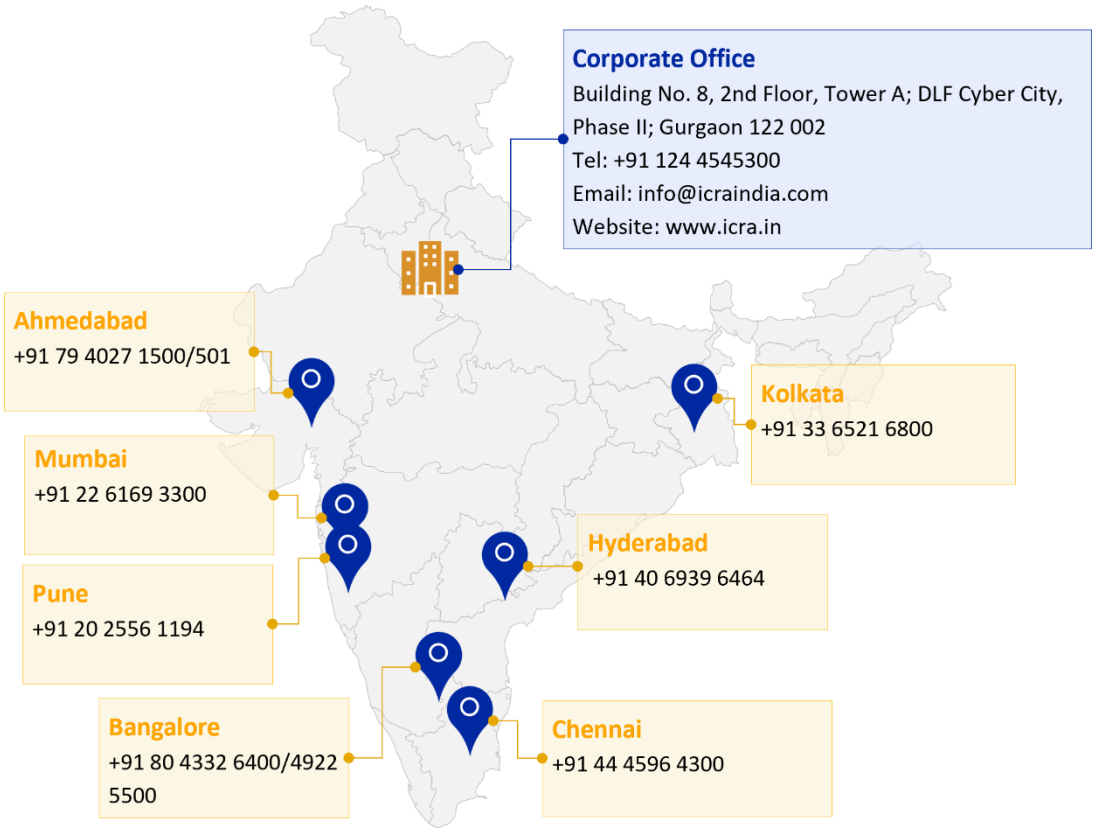

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