

October 06, 2026

Muthoot Fincorp Limited: Provisional rating [ICRA]AA+(SO) assigned to SN Series A1 and Provisional rating [ICRA]AA-(SO) assigned to Equity Tranche SN backed by loan against property (LAP) receivables issued by FREESIA TRUST 2026

Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action	Financial Sector Regulator#
FREESIA TRUST 2026	SN Series A1	79.07	Provisional [ICRA]AA+(SO); Assigned	RBI
	Equity Tranche SN	4.44	Provisional [ICRA]AA-(SO); Assigned	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.

Rating in the absence of pending actions/documents	No ratings would have been assigned as it would not be meaningful
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Rationale

The securitisation notes (SNs) are backed by a pool of loan against property (LAP) receivables originated by Muthoot Fincorp Limited (MFL/Originator) with an aggregate principal outstanding of Rs. 88.84 crore (pool receivables of Rs. 175.66 crore). MFL 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

As per the transaction structure, the promised cashflow schedule for SN Series A1 on a monthly basis will comprise interest (at the pre-determined yield) on the o/s SN principal on each payout date and 89% of the billed principal on each payout date and the entire balance principal on the final maturity date. On each payout date, all excess cashflow, after meeting the promised SN Series A1 interest and promised principal payouts, will be paid out to meet the expected SN Series A1 (to the extent of 11% of pool principal billing. All prepayment amounts would be passed on to SN Series A1 (till the SN Series A1 principal is not fully amortized) every month and its future payouts revised accordingly. The excess interest spread (EIS) available after meeting the expected and promised SN payments will be passed on to originator (in case there are no EIS trigger events). In case of an EIS trigger event, the entire EIS available will be used for accelerated redemption of SN Series A1 (until SN Series A1 are outstanding) and then to equity tranche SN. Equity Tranche is subordinated to SN Series A1 and entire principal on equity tranche SN is promised on maturity date. The final maturity date for all tranches is March 25, 2041.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 5.00% of the initial pool principal, amounting to Rs. 4.44 crore, to be provided by the Originator, (ii) principal subordination of 11.00% of the initial pool principal for SN Series A1 (split into 6.00% of overcollateral and 5.00% of equity tranche) and subordination of 6.00% of the pool principal for Equity Tranche SN, (iii) the EIS of 62.60% of the initial pool principal for SN Series A1 and Equity Tranche SN.

Key rating drivers and their description

Credit strengths

Granular pool supported by availability of credit enhancement – The pool is granular, consisting of 2860 obligors, with the top 10 obligors accounting for ~10% of the pool principal as on the cut-off date, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC, overcollateral and EIS would absorb a part of the losses in the pool and provide support in meeting the SN payouts.

No overdue contracts in the pool – The pool has been filtered in such a manner that there were no overdue contracts as on the cut-off date. Further, ~96% of the contracts in the pool have never been delinquent in the past since origination which is a credit positive with peak dpd for balance contracts is capped at 30 days.

Seasoned contracts in the pool – The pool has an average seasoning of ~9.0 monthly instalments on the cut-off date. This reflects the repayment track record and buildup in borrower equity which is a credit positive.

Adequate track record of originator – The company has adequate processes for the servicing of the loan accounts in the securitised pool. It has a track record of regular collections and recoveries and has expanded its presence to 16 states.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz. Karnataka, West Bengal and Telangana, contributing ~56% to 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.

Exposed to interest rate risk – The transaction is exposed to interest rate risk as the underlying pool has fixed rate loans (floating after five years from disbursement), whereas yield on SN Series A1 is floating and is linked to an external benchmark (I-MCLR-1Y of ICICI Bank with a quarterly reset).

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 5.00% of the pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 9% to 27% 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.

Liquidity position: Superior

For SN Series A1

The liquidity for SN Series A1 is superior after factoring in the credit enhancement available to meet the promised payout to the investors. The total credit enhancement would be ~9.5 times the estimated loss in the pool for SN Series A1.

For Equity Tranche SN

The liquidity for the Equity Tranche SN is superior after factoring in the credit enhancement available to meet the promised payout to the investors. The total credit enhancement would be ~8.5 times the estimated loss in the pool for Equity Tranche SN.

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 ratings upgrade.

Negative factors – The sustained weak collection performance of the underlying pool (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 (Muthoot Fincorp) could also exert pressure on the ratings.

Analytical approach

The rating action is based on the analysis of the performance of MFL's LAP portfolio till June 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 rating is provisional and would be converted into final 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

Muthoot FinCorp Limited (MFL) is a Thiruvananthapuram-based non-deposit-taking NBFC and part of the Muthoot Pappachan Group. Established in 1997, the company initially focused on gold loans, providing small-ticket secured credit to customers in semi-urban and rural markets. Over the years, MFL has diversified its offerings to include business loans, loans against property, supply-chain finance, and personal loans through its Secured & Unsecured Lending Business (SULB) division. The company also distributes mutual funds and general and life insurance products and operates in the money transfer segment and foreign exchanges through its branches.

Key financial indicators

	FY2024	FY2025	FY2026
	Audited	Audited	Audited
Total Income	4,016	5,551	8,364
Profit after tax	563	787	1,640
Total managed assets	22,887	33,563	57,581
Gross NPA (%)	1.6%	2.0%	1.0%
Capital to risk weighted assets ratio (%)	20.0%	19.5%	18.0%

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	Amount Rated (Rs. crore)	Date & Rating in FY2027	Date & Rating in FY2026	Date & Rating in FY2025	Date & Rating in FY2024
			October 06, 2026	-	-	-
FREESIA TRUST 2026	SN Series A1	79.07	Provisional [ICRA]AA+(SO)	-	-	-
	Equity Tranche SN	4.44	Provisional [ICRA]AA-(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
SN Series A1	Highly Complex
Equity Tranche SN	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

ISIN	Trust Name	Instrument Type	Date of Issuance / Sanction	Coupon rate (p.a.p.m.)	Maturity Date	Current Rated Amount (Rs. crore)	Current Rating	Financial Sector Regulator#
NA	FREESIA TRUST 2026	SN Series A1	September 28, 2026	-	March 25, 2041	79.07	Provisional [ICRA]AA+(SO)	RBI
NA		Equity Tranche SN	September 28, 2026	-	March 25, 2041	4.44	Provisional [ICRA]AA-(SO)	RBI

Source: Company

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Annexure II: List of entities considered for consolidated analysis

Not Applicable

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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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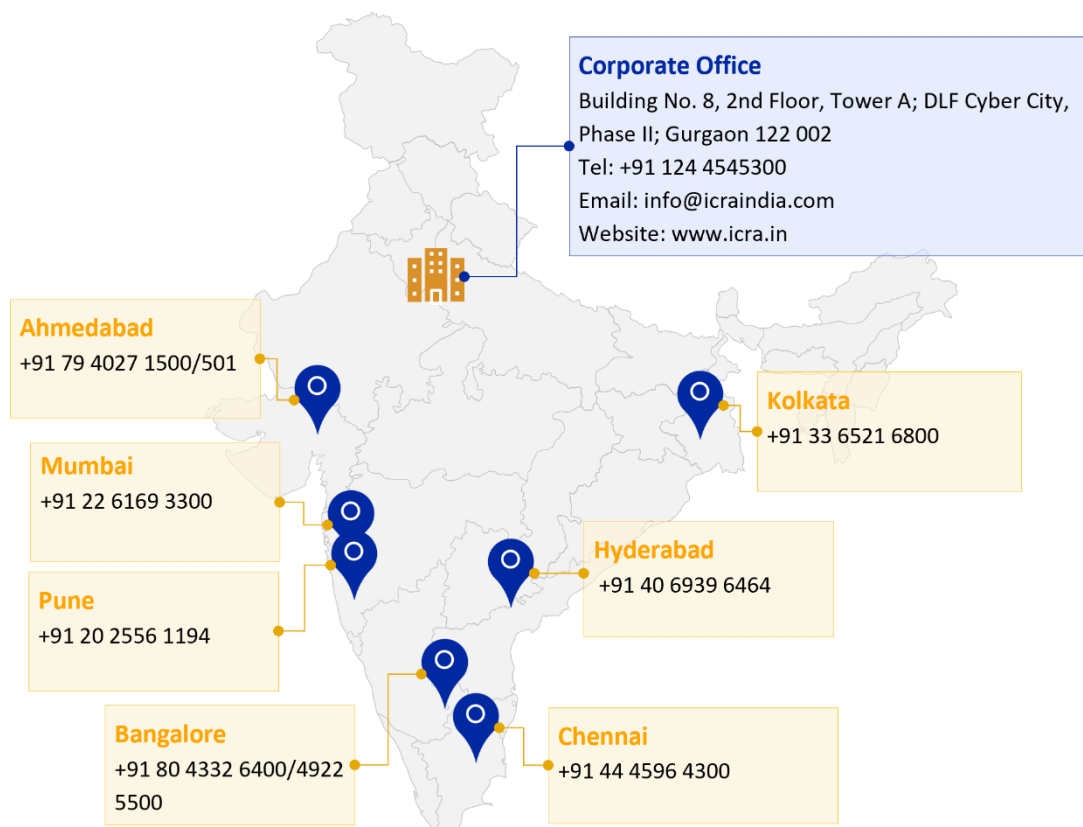


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