

Alpha Trust July 2026

Originator: HDB Financial Services Limited

September 02, 2026

Instrument [#]	Name of Regulator ¹	Amount (₹ crore)	Structure	Tenure* (months)	Rating ²	Credit Enhancement [§] (₹ crore)		Rating Action
						Subordinated Junior Tranche PTCs	Cash Collateral	
Senior Tranche PTCs	RBI	595.00	Par (TIUP) (Conditional Turbo)	73	Provisional CARE AAA (SO)	66.11	33.06	Assigned

Details of instruments/facilities in Annexure-1.

[#]Pass-through certificates (PTCs) are rated based on the timely payment of interest and the payment of principal by the last scheduled payout date.

*Tenure / door-to-door maturity may change due to prepayments or changes in interest rates.

[§]Excess interest spread (EIS) shall flow per waterfall Mechanism.

Rating in the absence of pending steps/documents	No rating can be assigned
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Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has assigned a rating of 'Provisional CARE AAA (SO)' [pronounced as 'Triple A (Structured Obligation)'] to the Senior Tranche PTCs proposed to be issued by Alpha Trust July 2026 backed by commercial vehicles (CV), construction equipment and auto loan (AL) receivables originated by HDB Financial Services Limited ('the Originator' or 'HDBFSL').

The rating is based on credit quality of underlying loans, support in the form of credit enhancement (CE), credit underwriting and servicing capability of the originator, well-defined payment mechanism, and robust legal structure of the transaction.

The final rating will be assigned after copies of following documents, duly executed in accordance with the structure and to the satisfaction of CareEdge Ratings, are furnished by the originator:

- Assignment agreement
- Trust deed
- Power of attorney
- A legal opinion
- Due diligence audit report
- Any other documents executed for the transaction.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors - Factors that could, individually or collectively, lead to positive rating action/upgrade:

None

Negative factors - Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Delinquencies (90+ days past due [DPD] as percentage of initial principal outstanding [POS]) of over 5% and sustained lower collection efficiency (cumulative collection efficiency [CCE] of less than 90%), till principal amortisation of the pool is below 50%.
- Deterioration in the credit profile of the originator.
- Utilisation of cash collateral (CC).
- Non-adherence to key transaction terms envisaged at the time of the rating.

Analytical approach

The rating is based on inter alia, analysis of underlying pool of receivables, expected pool performance, performance of originator's portfolio and transaction structure including the proposed CE.

¹SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority

²Complete definitions of ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

Detailed description of key rating drivers

The transaction is structured at par and the Senior Tranche PTCs are rated for the timely payment of interest with the repayment of principal on or before the final legal maturity.

The assigned pool consists of ~58% of CV, 26% of AL and ~16% of construction equipment loan contracts, aggregating to a POS of ₹661.11 crore as on the cut-off date. Top three states account for ~29% of the pool. All contracts are current on payment. The pool has weighted an average seasoning of ~15 months with an amortisation of ~21%. The pool has minimum credit bureau score (CIBIL) of 650 with ~87% contracts in the pool have score of over 690. The pool is granular with scheduled of cash flows from underlying loans. Assignment of receivables to the special purpose vehicle (SPV) lends strength to these cash flows and the rating factors terms of servicing agreement as detailed hereinafter.

The CE will comprise CC of 5.00%, subordinated Junior Tranche PTCs of 10.00%, and subordination of excess interest spread (EIS) of ~8% of the pool POS in the structure. The CC will be in the form of fixed deposits (FDs) with a lien marked in favour of the trust, per CareEdge Ratings' criteria. The support of both, subordinated Junior Tranche PTCs and EIS, is subject to realisation. The EIS is also subject to compression considering prepayments in the pool. The cash flow from the underlying pool, and external credit enhancement, will be used to make payout to the PTC investors.

The Transaction also features conditional acceleration events, on occurrence of which residual amount will be utilised to prepay Senior Tranche PTCs until redeemed in full.

Acceleration Events

- Occurrence of Servicer Replacement Event except for the event for change of control of servicer.
- Occurrence of PTC Event of Default.
- Downgrade of Senior Tranche PTCs by over three notches.

Servicer Replacement Events

- The lowest rating by a domestic rating agency of the Servicer drops to "A+" or below.
- Material Adverse Event of the Servicer.
- Bankruptcy proceedings initiated against HDBFSL.
- Event of Default called by any other lender of HDBFSL.
- Non-payment, breach of obligations, warranties and representations by the Servicer.
- Failure to make payment per Servicing Agreement.
- Change of control of the Servicer.
- Capital Adequacy to be maintained per extant RBI guidelines.

PTC Events of Default

Means if any of the following conditions are satisfied:

- The coupon/yield payable on the Senior Tranche PTCs forming part of the promised investor payouts on Senior Tranche PTCs, on Payout Date is not fully paid on the said Payout Date.
- The outstanding principal amount promised to be payable to the Senior Tranche PTCs on Final Legal Maturity Date is not fully paid.

Key strengths:

- The robustness of transaction structure and well-defined payment mechanism;
- Credit enhancement comprising cash collateral, subordinated Junior Tranche PTCs and EIS;
- No overdue contracts as on the pool cut-off date; ~96% of the pool is current since origination;
- Underwriting policies and collection capabilities of HDBFSL;
- High-weighted average seasoning of ~15 months with amortisation of ~21% as of pool cut-off date.

Key weaknesses:

- Investor yield is floating, while interest rates on underlying contracts are fixed, which could result in compression of EIS if the benchmark rate increases.

Liquidity: Strong

Inherent liquidity in the structure is strong. Interest payouts for Senior Tranche PTCs are promised monthly, while the principal of Senior Tranche PTCs is promised to be paid by final legal maturity. In case of delinquency, payouts are expected to be supported by CE consisting of CC, subordinated principal and Interest of Junior Tranche PTCs and EIS.

Key rating assumptions and adequacy of credit enhancement:

CareEdge Ratings has analysed the transaction to assess whether the CE is sufficient to cover the shortfalls. Since the transaction is sensitive to the credit quality of the underlying pool, CareEdge Ratings has analysed the performance of static pools provided by the originator and overall portfolio performance of the originator. Considering borrower profile, nature of loan, pool characteristics, and portfolio performance, CareEdge Ratings has taken average shortfall at 3.50-4.50% of POS. Base case shortfalls were stressed along with other key factors, such as timing of shortfalls, recovery assumptions, and time to recovery. Pool cash flow has been further adjusted for prepayments of underlying loans, assuming a monthly prepayment in the range of 0.5-1.00%. CareEdge Ratings has stipulated CE, which is commensurate with credit rating of the PTCs.

Key risks, concerns and mitigants:

The securitisation transaction involves several risks, including credit risk from borrower defaults, commingling risk due to time lags in fund deposits, basis risk from differing interest rate benchmarks, prepayment risk from early principal repayments, servicer bankruptcy risk, legal risk regarding the validity of receivable transfers, and counterparty risk involving transaction parties. These risks are factored while assigning rating, wherever needed, and partially mitigated through credit enhancements, separate record-keeping, credit rating/profile of the originator, transaction structuring, true sale of receivables, legal opinion from independent legal counsel. The transaction structure also has provision to change counterparties including trustee, and banker among others.

Applicable criteria

[Policy on Default Recognition](#)

[Assignment of Provisional rating](#)

[CARE Ratings' methodology for asset/mortgage-backed securitisation](#)

Validity of provisional rating

Provisional rating shall be converted into a final rating after receipt of transaction documents duly executed/ completion of mentioned steps within 90 days from the instrument's date of issuance. An extension of 90 days may be granted on a case-to-case basis in line with CareEdge Ratings' Policy on Assignment of Provisional Ratings.

Risks associated with provisional nature of credit rating

When a rating is assigned pending execution of certain critical documents or steps to be taken, the rating is a 'Provisional' rating indicated by prefixing 'Provisional' before the rating symbol. On execution of critical documents to the satisfaction of CareEdge Ratings, the final rating is assigned. In the absence of documents/ completion of steps or where such documents deviate significantly from those considered, provisional rating will be reviewed in line with the Policy on Assignment of Provisional Ratings.

About the originator / servicer and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Securitisation

HDBFSL is a subsidiary of HDFC Bank Limited (HBL) with a shareholding of ~74.1% as on June 30, 2026. HDBFSL was incorporated in June 2007 and commenced its lending operations in March 2008. HDBFSL is a lending company which offers retail loans such as loan against property (LAP), CV and construction equipment financing, gold loan, consumptions loans, and personal loans among others. The company operates through a network of 1,744 operational branches as on December 31, 2025, in 1,165 cities across India. NFL is engaged in AL business for over 15 years and is an active player in securitisation/bilateral market and as of June 30, 2026, HDBFSL has ~3 such live pools with initial size amounting to over ₹3,000 crore.

Key financial indicators - HDBFSL

Brief financials (₹ crore)	FY25 (A)	FY26 (A)	Q1FY27 (UA)
Total income	16,300	18,430	4,938
Profit after tax (PAT)	2,176	2,544	785
Assets under management (AUM)	1,07,262	1,18,733	1,22,048
On-book gearing (x)	6.11	5.05	5.02
AUM / tangible net-worth (TNW) (x)	7.06	7.43	6.00
Gross non-performing assets (NPA) / gross stage 3 (%)	2.26	2.44	2.44
Return on managed assets (ROMA) (%)	2.11	NA	NA
Capital adequacy ratio (CAR) (%)	19.25	19.22	19.20

A: Audited; UA: Unaudited; NA: Not Available; Note: these are latest financial results available

Key terms of servicer contract:

The servicing agreement has covered role of the originator as the collection and payment agent (CPA) for the SPV in managing collections from underlying borrowers, who have consented to such assignment through provisions incorporated in the respective loan agreements. The Servicer (originator) follows its standard procedures for collections, including recovery actions, and ensures timely transfers of funds to the SPV under an M+1 payment structure. The trustee monitors the sufficiency of funds for investor payouts one day prior to payout date and utilises cash collateral in case of shortfall. The Servicer is also submitting detailed reports on billing, collections (including prepayment), overdue amounts with aging thereof, cash flow schedules to the trustee and such other information as may be required by the trustee. The terms of the agreement have provisions for the appointment of an alternate servicer in case of servicer event of default.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Nil

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instruments/facilities: Annexure-3

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of regulators:

A list of facilities / instruments falling under the purview of financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities:

Name of the Instrument	Name of the Regulator	Complexity Level	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Pass Through Certificates	RBI	Highly Complex	-	-	-	-	595.00	Provisional CARE AAA (SO)

Annexure-2: Rating history for last three years:

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2026-2027	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024
1	Pass Through Certificates	LT	595.00	Provisional CARE AAA (SO)	-	-	-	-

LT – Long Term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Lender details

Not applicable

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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