May 07, 2025

IDFC FIRST Bank Limited: Ratings confirmed as final for PTCs backed by two-wheeler loan receivables issued by Bharat 2025 Series I

Summary of rating action

Trust name	Instrument*	Current rated amount (Rs. crore)	Rating action
Bharat 2025 Series I	Series A1 PTC	531.26	[ICRA]AAA(SO); provisional rating confirmed as final
	Series A2 PTC	29.51	[ICRA]AA+(SO); provisional rating confirmed as final
	Series A3 PTC	29.51	[ICRA]A(SO); provisional rating confirmed as final

**Instrument details are provided in Annexure I*

Rationale

ICRA had assigned provisional ratings to the pass-through certificates (PTCs) issued by Bharat 2025 Series I under a securitisation transaction originated by IDFC FIRST Bank Limited {IDFC FIRST/Originator; rated [ICRA]AA+ (Stable)}. The PTCs are backed by a pool of two-wheeler loan receivables originated by IDFC FIRST with an aggregate principal outstanding of Rs. 590.29 crore (pool receivables of Rs. 702.67 crore). IDFC FIRST is also 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 ratings have now been confirmed as final.

Transaction structure

The transaction has a three-tranche structure, wherein Series A1, A2 and A3 PTCs will be equivalent to 90%, 5% and 5% of the initial pool principal, respectively. Payouts to Series A3 PTC will be subordinated to Series A2 PTC while payouts to Series A2 PTC will be subordinated to Series A1 PTC.

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout to Series A1, A2 and A3 PTCs. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) to Series A1 PTC, followed by Series A2 PTC (after Series A1 PTCs are fully paid off) and Series A3 PTC (after Series A2 PTCs are fully paid off). Further, the cash collateral (CC) in the transaction can be utilised in case of a shortfall in any month for the payment of the promised interest payout to Series A1, A2 and A3 PTCs and for the expected principal payout to Series A1 PTC (up to 90% of the billed principal). The principal is promised on the final maturity date for all three tranches. 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 the Series A1 PTC principal, followed by Series A2 PTC (after Series A1 PTCs are fully paid off) and Series A3 PTC (after Series A2 PTCs are fully paid off).

In case the 90+ days past due (dpd) exceeds 5.00% of the initial pool principal or the rating of the Originator falls to or goes below AA-, the EIS shall be utilised to make principal payments to the Series A1 investors followed by Series A2 PTC (after Series A1 PTCs are fully paid off) and lastly Series A3 PTC (after Series A2 PTCs are fully paid off). The EIS shall flow back to the Originator if the Originator's rating is upgraded to AA or above and the 90+ dpd declines and stays below 5.00% of the initial pool principal for three consecutive calendar months.

Sensitivity Label : Restricted

The credit enhancement available in the structure is in the form of (i) a CC of 5.00% of the initial pool principal, amounting to Rs. 29.51 crore, provided by the Originator, (ii) subordination of 10.00% of the initial pool principal for Series A1 PTC and 5.00% of the initial pool principal for Series A2 PTC, and (iii) the EIS of 12.07%, 11.18% and 9.97% of the initial pool principal for Series A1, A2 and A3 PTCs, respectively.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The current pool is granular with 77,237 contracts and the top 10 contracts forming only 0.03% of the total pool principal, thereby reducing the exposure to any single contract. Further, the credit enhancement available in the form of the CC, subordination and EIS would absorb a part of the losses in the pool and provide support in meeting the PTC payouts.

No overdue contracts in the pool – The pool had no overdue contracts as on the pool cut-off date. Further, none of the contracts in the pool have ever been delinquent, which is a credit positive. Additionally, the weighted average amortisation of the pool is ~27%.

Servicing capability of IDFC FIRST – IDFC FIRST has adequate processes for the servicing of the loan accounts in the securitised pool. It has a long track record of regular collections and recoveries across a wide geography and multiple economic cycles.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz. Uttar Pradesh, West Bengal and Maharashtra, contributing ~39% 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.

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 3.25% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 2.4% 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 ratings for the instruments.

Details of key counterparties

The key counterparties in the rated transaction are as follows:

Transaction name	Bharat 2025 Series I
Originator	IDFC FIRST Bank Limited
Servicer	IDFC FIRST Bank Limited
Trustee	IDBI Trusteeship Services Limited
CC holding bank	Axis Bank
Collection and payout bank	Citibank N.A.

Liquidity position

Superior for Series A1 PTC

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.

Strong for Series A2 PTC

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 ~4.75 times the estimated loss in the pool.

Adequate for Series A3 PTC

The liquidity for Series A1 PTC is adequate after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~3.00 times the estimated loss in the pool.

Rating sensitivities

Positive factors for Series A1 PTC – Not applicable

Positive factors for Series A2 and A3 PTCs – 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 credit enhancement utilisation levels, would result in a rating downgrade. Weakening in the credit profile of the servicer could also exert pressure on the ratings.

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	Securitisation Transactions
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

About the originator

IDFC Bank Limited was set up after IDFC Limited received a banking licence from the Reserve Bank of India (RBI) in 2014. IDFC Limited's infrastructure assets and liabilities were demerged into IDFC Bank Limited. Apart from the Government of India (GoI), the leading shareholders of IDFC Limited included foreign financial institutions involved in infrastructure development worldwide. IDFC Limited was classified as an infrastructure finance company by the RBI in June 2010. It was granted in-principle approval by the RBI in April 2014 for undertaking banking business in India. IDFC Bank Limited started operations on October 1, 2015, after receiving the final licence from the RBI in July 2015.

Capital FIRST Limited, a non-deposit taking, systemically important, non-banking financial company (NBFC-ND-SI) registered with the RBI, was founded in 2012 by Mr. Vaidyanathan through a management buyout of an existing listed NBFC. The company specialised in providing finance to Indian consumers in the form of home loans and other consumption loans and to small businesses for working capital, business expansion, plant and machinery purchase, office automation and other such purposes.

Following the receipt of approval from the National Company Law Tribunal (NCLT) for the merger of Capital FIRST Limited and its two subsidiaries with IDFC Bank Limited, which became effective on December 18, 2018, the merged entity was named IDFC FIRST Bank Limited.

Key financial indicators

IDFC FIRST Bank Limited	FY2023	FY2024	9M FY2025
Total income	16,777	22,245	19,359
Profit after tax	2,437	2,957	1,221
Total assets (Rs. lakh crore)	2.4	3.0	3.4
Gross NPAs	2.5%	1.9%	1.9%
CRAR	16.8%	16.1%	16.1%*

*Source: IDFC FIRST Bank Limited, ICRA Research; * Includes profits for the interim period*
Total income = Net interest income + Non-interest income; Amount in Rs. crore unless mentioned otherwise

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

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
				May 07, 2025	March 19, 2025	-	-
Bharat 2025 Series I	Series A1 PTC	531.26	531.26	**[ICRA]AAA(SO)**	**Provisional [ICRA]AAA(SO)**	-	-
	Series A2 PTC	29.51	29.51	**[ICRA]AA+(SO)**	**Provisional [ICRA]AA+(SO)**	-	-
	Series A3 PTC	29.51	29.51	**[ICRA]A(SO)**	**Provisional [ICRA]A(SO)**	-	-

Complexity level of the rated instrument

Instrument	Complexity indicator
Series A1 PTC	Moderately Complex
Series A2 PTC	Moderately complex
Series A3 PTC	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 rated amount (Rs. crore)	Current rating
Bharat 2025 Series I	Series A1 PTC	March 25, 2025	8.20%	March 15, 2029	531.26	[ICRA]AAA(SO)
	Series A2 PTC		8.75%		29.51	[ICRA]AA+(SO)
	Series A3 PTC		9.25%		29.51	[ICRA]A(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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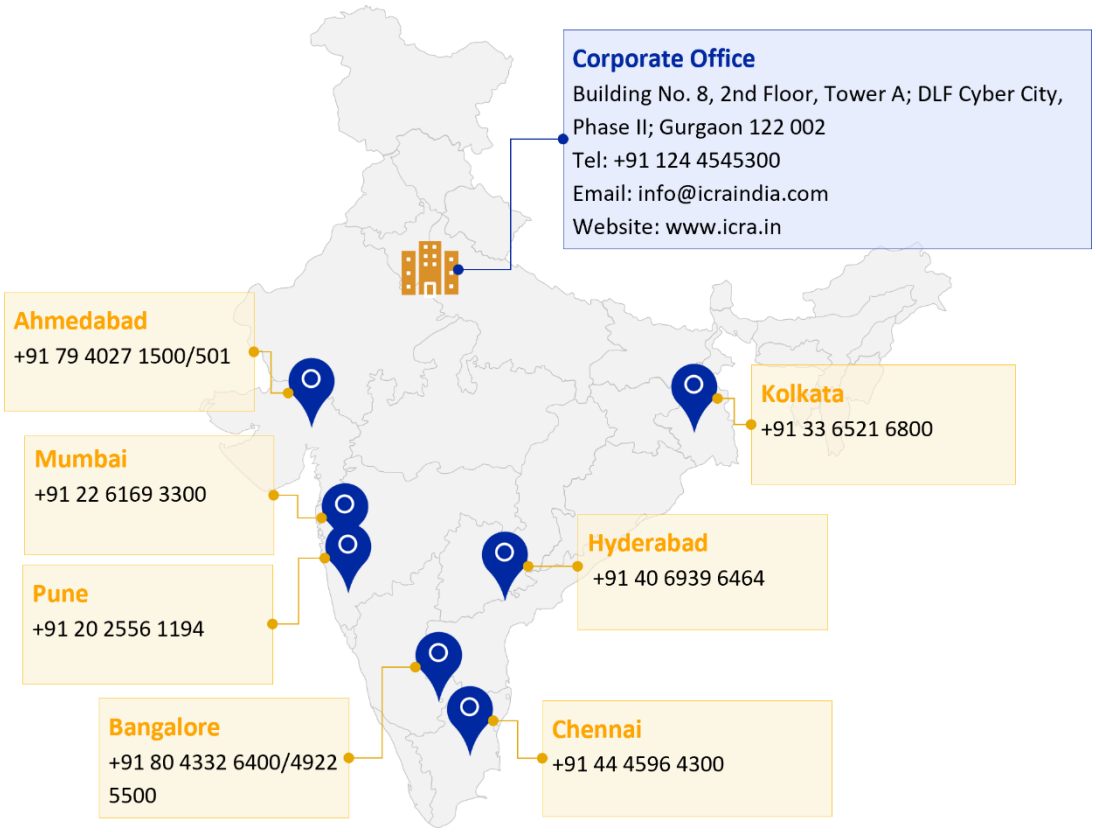

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