

July 18, 2025

## Veritas Finance Limited: Rating action for PTCs issued under small business loan and home construction loan securitisation transaction

### Summary of rating actions

Trust name	Instrument*	Initial rated amount (Rs. crore)	Amount O/s after last surveillance (Rs. crore)	Amount O/s after Jun-25 payout (Rs. crore)	Rating action
Vajra 009 Trust	Series A1 PTC	200.00	NA	83.77	[ICRA]AAA(SO); Reaffirmed
	Series A2 PTC	100.00	NA	100.00	[ICRA]AA+(SO); Upgraded from [ICRA]AA(SO)

\*Instrument details are provided in Annexure I

### Rationale

The pass-through certificates (PTCs) are backed by a pool of small business loan (SBL) and home construction loan (HCL) receivables originated by Veritas Finance Limited (Veritas/Originator). Veritas is also the servicer for the transactions.

The rating action factors in the build-up of the credit enhancement cover over the future PTC payouts on account of high amortisation and healthy pool performance. The rating also draws comfort from the fact that the breakeven collection efficiency is lower compared to the actual collection level observed in the pools till the June 2025 payout month.

### Pool performance summary

Parameter	Vajra 009 Trust
Payout month	June 2025
Months post securitisation	12
Pool amortisation (as % of initial pool principal)	30.7%
Series A1 PTC amortisation (as % of initial PTC principal)	58.1%
Last 3 months' average monthly collection efficiency <sup>1</sup>	95.4%
Cumulative collection efficiency <sup>2</sup>	97.3%
Cumulative prepayment rate <sup>3</sup>	18.5%
Loss-cum-0+ dpd (% of initial pool principal) <sup>4</sup>	4.9%
Loss-cum-30+ dpd (% of initial pool principal) <sup>5</sup>	3.3%
Loss-cum-90+ dpd (% of initial pool principal) <sup>6</sup>	1.4%
Breakeven collection efficiency <sup>7</sup>	
Series A1 PTC	22.2%
Series A2 PTC	31.0%
Cumulative cash collateral (CC) utilisation	0.00%
CC available (as % of balance pool)	6.5%
Excess interest spread (EIS; as % of balance pool) <sup>8</sup>	
Series A1 PTC	33.4%

<sup>1</sup> Average of (Total current and overdue collections for the month as a % of Total billing for the month) for 3 months

<sup>2</sup> Cumulative collections / (Cumulative billings + Opening overdue at the time of securitisation)

<sup>3</sup> Principal outstanding at the time of prepayment of contracts prepaid till date / Initial pool principal

<sup>4</sup> Unbilled and overdue principal portion of contracts delinquent for more than 0 days, as a % of Initial pool principal

<sup>5</sup> Unbilled and overdue principal portion of contracts delinquent for more than 30 days, as a % of Initial pool principal

<sup>6</sup> Unbilled and overdue principal portion of contracts delinquent for more than 90 days, as a % of Initial pool principal

<sup>7</sup> (Balance cash flows payable to investor – CC available) / Balance pool cash flows

<sup>8</sup> (Pool cash flows till PTC maturity month – Cash flows to PTC A1 – Originator's residual share) / Pool principal outstanding

Parameter	Vajra 009 Trust
Series A2 PTC	33.4%
Principal subordination (% of balance pool principal)	
Series A1 PTC	63.8%
Series A2 PTC	20.6%

## Transaction structure

The transaction has a three-tranche structure with Series A1 PTC comprising 59.87% of the pool principal, followed by Series A2 PTC (29.94%) and the equity tranche (10.19%).

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout (on pari-passu basis to the holders of Series A1 PTC and Series A2 PTC on the outstanding PTC principal) and principal payout (59.87% of the pool principal billed) to Series A1 PTC. The balance principal (40.13% of the pool principal billed), after the replenishment of the credit enhancement, is expected to be paid on a monthly basis until the maturity of Series A1 PTC. A part of the residual cash flow from the pool (35%), after meeting the promised and expected payouts, will be used for the prepayment of the Series A1 PTC principal while the balance (65%) would be used for the payment of the equity tranche. Any prepayment in the pool would be used for the prepayment of the Series A1 PTC principal.

After the maturity of Series A1 PTC, the monthly cash flow schedule to Series A2 PTC comprises the promised interest payout and principal payout (89.81% of the pool principal billed). The balance principal (10.19% of the pool principal billed), after the replenishment of the credit enhancement, is expected to be paid on a monthly basis until the maturity of Series A2 PTC. A structure similar to the one used for Series A1 PTC would be followed to make the residual cash flow and prepayment payouts to Series A2 PTC. Further, ICRA notes that in case of a shortfall in collections at the end of the scheduled maturity date of the PTCs, the cash collateral (CC) will be utilised first for paying the dues towards Series A1 PTC and then for the dues towards Series A2 PTC.

## Key rating drivers and their description

### Credit strengths

**Healthy pool performance** – Performance of the pool has been healthy with cumulative collection efficiency above 97% till June 2025 payout month which has resulted in low delinquencies in the pools with 90+ days past due (dpd) sub 1.5%. Further, there have been no instances of cash collateral utilisation till date owing to strong collection performance and presence of EIS in the transaction.

**Considerable build-up of credit enhancement** – The rating factors in the build-up in the credit enhancement with cash collateral increasing to 6.5% of the balance pool for Vajra 009 compared to 4.50% at the time of securitisation. Internal credit support is also available through scheduled EIS and subordination.

**Contracts backed by self-occupied residential properties** – The pool is backed by self-occupied residential properties. This is expected to support the quality of the pool as it has been observed that borrowers tend to prioritise repayments towards such loans even during financial stress.

**Adequate servicing capability of Veritas** – The company has adequate processes for servicing the loan accounts in the securitised pool. It has demonstrated an established track record of almost a decade of regular collections and recovery across multiple geographies.

### Credit challenges

**Risks associated with lending business** – The pool 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 principal collection during the tenure at 3.75% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 7.0% 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.

## Details of key counterparties

The key counterparties in the rated transactions are as follows:

Transaction Name	Vajra 009 Trust
Originator	Veritas Finance Limited
Servicer	Veritas Finance Limited
Trustee	Axis Trustee Services Limited
CC holding bank	ICICI Bank
Collection and payout account bank	ICICI Bank

## Liquidity position: Superior

The liquidity for the PTC instruments for both the transactions is superior after factoring in the credit enhancement available to meet the promised payout to the investors. The total credit enhancement would be greater than 8.75 times the estimated loss in the pools.

## Rating sensitivities

**Positive factors** – Not applicable for Series A1 PTC. The rating could be upgraded for Series A2 PTC if sustained strong collection performance is witnessed in the underlying pools, leading to low delinquency levels and build-up of cover from the credit enhancement of the balance pool principal

**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 rating downgrade. Weakening in the credit profile of the servicer could also exert pressure on the ratings.

## Analytical approach

The rating actions are based on the performance of the pools till June 2025 payout month, present delinquency levels and the credit enhancement available in the pools, and the performance expected over the balance tenure of the pools.

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Securitisation Transactions</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

## About the originator

Veritas Finance Limited (Veritas) is a non-banking financial company (NBFC) incorporated on April 30, 2015 and registered with the Reserve Bank of India (RBI). The company lends to borrowers engaged in the micro, small and medium enterprise (MSME) sector with a primary focus on providing inclusive finance to the self-employed borrowers for their businesses. As on March 31, 2025, Veritas had 503 branches across 11 states, namely Tamil Nadu, West Bengal, Karnataka, Odisha, Andhra Pradesh, Telangana, Bihar, Jharkhand, Chhattisgarh and Madhya Pradesh, as well as the Union Territory (UT) of Puducherry.

Veritas had a gross loan portfolio of Rs. 7,349 crore as on March 2025 (Rs. 5,724 crore as on March 31, 2024). The company has divided the MSME loan product segment into two broad heads – MSME Rural and MSME Urban, apart from home loans. MSME Rural consists of small business loans (SBLs) and home construction loans (HCLs) while MSME Urban is focussed on unsecured business loans meant for working capital purposes. The home loan (HL) segment focusses on affordable housing. These products are differentiated on the basis of the purpose of the loan, customer segment, etc.

As on March 31, 2025, on a fully-diluted basis, the founder (Mr. Arulmany) and his relatives held 9.86% while other shareholders include Norwest Venture Partners X Mauritius (21.90%), Multiples PE and affiliates (16.47%), Kedaara Capital Fund II LLP (15.30%), Lok Capital and affiliates (13.86%), British International Investments Plc. (10.48%), Avendus Future Leaders Fund (2.94%), and Caspian Impact Investment Advisers Private Limited (0.19%). The balance is held by individual shareholders and employees and their relatives.

## Key financial indicators

Veritas Finance Limited	FY2023	FY2024	FY2025
	Audited	Audited	Audited
Total income	682	1,124	1,557
PAT	175	246	295
Assets under management (AUM)	3,534	5,724	7,349
Gross NPA	2.19%	1.79%	2.21%
Net NPA	1.26%	0.85%	1.10%
CRAR	45.00%	41.49%	37.82%

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

S. No.	Trust Name	Instrument	Current Rating (FY2026)		Chronology of Rating History for the Past 3 Years				
			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
					Jul 18, 2025	Jul 03, 2024	Jun 27, 2024	-	-
1	Vajra 009 Trust	Series A1 PTC	200.00	83.77	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-
		Series A2 PTC	100.00	100.00	[ICRA]AA+(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-

### Complexity level of the rated instruments

Trust Name	Instrument	Complexity Indicator
Vajra 009 Trust	Series A1 PTC	Moderately Complex
	Series A2 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

ISIN No.	Trust Name	Instrument Type	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date*	Current Rated Amount (Rs. crore)	Current Rating
INE0YD015016	Vajra 009 Trust	Series A1 PTC	June 26, 2024	9.25%	November 20, 2030	83.77	[ICRA]AAA(SO)
INE0YD015024		Series A2 PTC	June 26, 2024	9.75%	November 20, 2030	100.00	[ICRA]AA+(SO)

Source: Company

#### Annexure II: List of entities considered for consolidated analysis

Not Applicable

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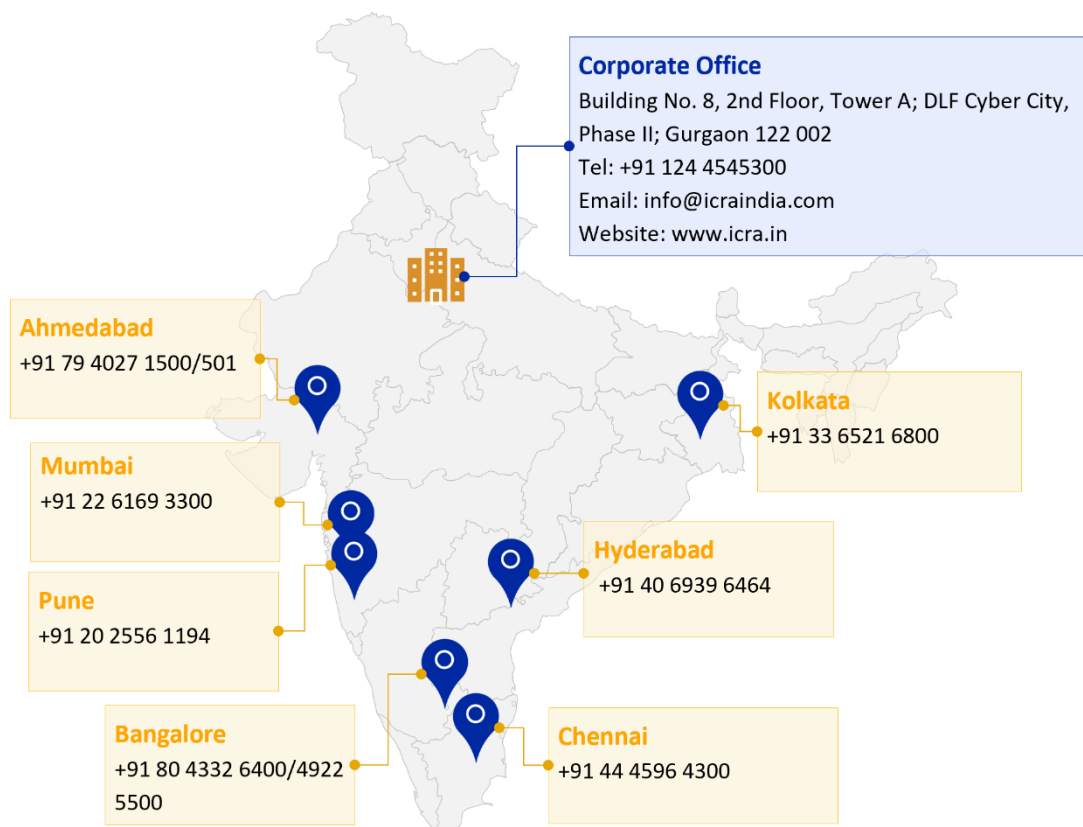


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