

July 28, 2025

## IKF Finance Limited: Provisional [ICRA]AAA(SO) and Provisional [ICRA]A+(SO) ratings assigned to Series A1 PTC and equity PTC, respectively, for a pool backed by vehicle loan receivables issued by Universe Trust Jul 2025

### Summary of rating action

Trust name	Instrument*	Rated amount (Rs. crore)	Rating action
Universe Trust Jul 2025	Series A PTC	192.78	Provisional [ICRA]AAA(SO); assigned
	Equity PTC	14.99	Provisional [ICRA]A+(SO); assigned

\*Instrument details are provided in Annexure I

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

The pass-through certificates (PTCs) are backed by a pool of construction equipment, commercial vehicles and cars/multi-utility vehicle loan receivables originated by IKF Finance Limited (IKF Finance/Originator) with an aggregate principal outstanding of Rs. 214.20 crore (pool receivables of Rs. 266.74 crore). IKF Finance would be the servicer for the rated 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 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

The transaction has a two-tranche structure, wherein the equity PTC tranche is subordinate to Series A PTC. As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout to Series A PTC. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) to the outstanding Series A PTC but is promised on the final maturity date. Any prepayment in the pool would be used for the prepayment of Series A PTC principal. After the maturity of Series A PTC, the cash flows from the pool would be utilised to pay the interest and principal to the equity PTC on a monthly basis on expected basis. Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. However, on the occurrence of predefined trigger events, the entire residual EIS every month shall be utilised for accelerating the principal payment due to Series A PTC till its full redemption. The final maturity date for Series A PTC and equity PTC is January 25, 2029.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 3.00% of the pool principal to be provided by the Originator, (ii) subordination of 10.00% of the pool principal in the form of the equity PTC and over-collateralisation for Series A PTC and subordination of 3.00% in the form of over-collateralisation for the equity PTC, and (iii) EIS of 15.25% of the pool principal for Series A PTC and 13.51% of the pool principal for the equity PTC.

### Key rating drivers and their description

#### Credit strengths

**Granular pool supported by presence of credit enhancement** – The pool is granular, consisting of 1,793 contracts, with the top 10 contracts forming less than ~7% of the pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of subordination, CC 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 has been filtered in such a manner that there were no overdue contracts as on the cut-off date. Further, ~90% of the contracts in pool have never been delinquent, which is a credit positive.

**Adequate servicing capability of the originator** – IKF Finance has adequate processes for servicing 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. Telangana, Gujarat and Karnataka, contributing ~73% 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.

**Risk 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 4.00% of the pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 4.8% to 18.0% per annum with a mean level of around 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 ratings for the instruments.

### Liquidity position

#### For Series A PTC: Strong

The liquidity for the Series A PTC is strong after factoring in the credit enhancement available to meet the promised payout to the investors. The total credit enhancement would be ~5.25 times estimated loss in the pool for Series A PTC

#### For Equity PTC: Strong

The liquidity for the Equity PTC is strong after factoring in the credit enhancement available to meet the promised payout to the investors. The total credit enhancement would be ~3.25 times the estimated loss in the pool for Equity PTC respectively.

### Rating sensitivities

**Positive factors** – The rating could be upgraded on the sustained strong collection performance of the underlying pool of contracts (monthly collection efficiency >95%), leading to lower-than-expected delinquency levels, and on an increase in the cover available for future PTC payouts from the credit enhancement.

**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 action is based on the analysis of the performance of IKF Finance's loan portfolio till March 2025, 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	
Applicable rating methodologies	<a href="#">Securitisation Transactions</a>
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 ratings are provisional and would be converted into final upon the execution of:

1. Trust deed
2. Assignment agreement
3. Legal opinion
4. Trustee letter
5. Auditor's certificate
6. Any other 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](http://www.icra.in).

## About the originator

IKF Finance Limited began its operations in 1991 as a private company focussed on financing medium and heavy commercial vehicles (MCVs and HCVs). By the mid-90s, it transitioned into a public limited company and expanded its offerings to include construction equipment loans and small and medium enterprises (SME) financing. Between 2004 and 2010, the company concentrated on growing its on-book assets under management (AUM) and entered new markets such as Gujarat, Maharashtra, and Madhya Pradesh. From 2012 to 2015, IKF Finance diversified further into cars, multi-utility vehicles (MUVs), small commercial vehicles (SCVs), and light commercial vehicles (LCVs), while strengthening its capital base through private equity investments. In 2016, the company secured a housing finance licence and established IKF Home Finance as a subsidiary, marking its entry into the home loan segment.

Over the next few years, IKF introduced co-lending partnerships, launched low-ticket MSME products, and expanded into new geographies including Odisha. By FY2024, the company had consolidated its position with a broad product portfolio that includes commercial vehicle loans, car and MUV loans, tractor loans, construction equipment loans, MSME loans, home loans, and two/three-wheeler loans. This evolution has been supported by significant digital transformation initiatives such as the implementation of a new Loan Origination System (LOS), Loan Management System (LMS), and cloud migration, enabling IKF to streamline operations and enhance customer service.

### Key financial indicators (audited)

Particulars	FY2023	FY2024	FY2025
Total income	286.6	437.3	660.1
PAT	50.0	77.0	107.9
Total managed assets	3,108.6	4,196.0	5,693.0
Gross NPA	2.8%	2.4%	2.2%
CRAR	33.0%	26.5%	20.9%

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	Instrument	Current rating (FY2026)		Chronology of rating history for the past 3 years			
		Initial amount rated (Rs. crore)	Current amount rated (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
				July 28, 2025	-	-	-
Universe Trust Jul 2025	Series A PTC	192.78	192.78	Provisional [ICRA]AAA(SO)	-	-	-
	Equity PTC	14.99	14.99	Provisional [ICRA]A+(SO)	-	-	-

### Complexity level of the rated instrument

Instrument	Complexity indicator
Series A PTC	Moderately Complex
Equity 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 name	Date of issuance/ Sanction	Coupon rate (p.a.p.m.)	Maturity date	Current amount rated (Rs. crore)	Current rating
Universe Trust Jul 2025	Series A PTC	July 28, 2025	8.65%	January 25, 2029	192.78	Provisional [ICRA]AAA(SO)
	Equity PTC	July 28, 2025	8.65%	January 25, 2029	14.99	Provisional [ICRA]A+(SO)

Source: Company

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

Not applicable

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## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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.

For more information, visit [www.icra.in](http://www.icra.in)

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