

August 6, 2025

## IKF Finance Limited: Rating confirmed as final for PTCs backed by a pool of vehicle loan receivables issued by Universe Trust Jul 2025

### Summary of rating action

Trust name	Instrument*	Current rated amount (Rs. crore)	Rating action
Universe Trust Jul 2025	Series A PTC	192.78	[ICRA]AAA(SO); rating confirmed as final
	Equity PTC	14.99	[ICRA]A+(SO); rating confirmed as final

\*Instrument details are provided in Annexure I

### Rationale

ICRA had assigned provisional ratings to the pass through certificate (PTCs) issued by Universe Trust Jul 2025 under a securitisation transaction originated by IKF Finance Limited (IKF Finance/Originator). The PTCs are backed by a pool of construction equipment, commercial vehicles and cars/multi-utility vehicle loan receivables originated by IKF Finance with an aggregate principal outstanding of Rs.214.20 crore (pool receivables of Rs. 266.74 crore). IKF Finance is also the servicer for the rated 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 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, 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.

### Details of key counterparties

The key counterparties in the rated transactions are as follows:

Transaction name	Universe Trust Jul 2025
Originator	IKF Finance Limited
Servicer	IKF Finance Limited
Trustee	Catalyst Trusteeship Limited
CC bank	Bandhan Bank Limited
Collection and payout account bank	ICICI Bank Limited

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

## 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
				August 6, 2025	July 28, 2025			
Universe Trust Jul 2025	Series A PTC	192.78	192.78	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-	-
	Equity PTC	14.99	14.99	[ICRA]A+(SO)	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

ISIN	Trust name	Instrument name	Date of issuance/ Sanction	Coupon rate (p.a.p.m.)	Maturity date	Current rated amount (Rs. crore)	Current rating
INE2CUJ15011	Universe Trust Jul 2025	Series A PTC	July 29, 2025	8.65%	January 25, 2029	192.78	[ICRA]AAA(SO)
INE2CUJ15029		Equity PTC	July 29, 2025	8.65%	January 25, 2029	14.99	[ICRA]A+(SO)

Source: Company

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

Not applicable

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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.

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