August 22, 2025

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

Summary of rating action

Trust name	Instrument*	Initial rated amount (Rs. crore)	Amount O/s after last surveillance (Rs. crore)	Amount O/s after Jul-25 payout (Rs. crore)	Rating action
Vajra 012 Trust	Series A1 PTC	60.00	NA	29.48	[ICRA]AAA(SO); reaffirmed
	Series A2 PTC	40.00	NA	36.61	[ICRA]AAA(SO); reaffirmed

**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 transaction.

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 than the actual collection level observed in the pool till the July 2025 payout month.

Pool performance summary

Parameter	Vajra 012 Trust
Payout month	July 2025
Months post securitisation	11
Pool amortisation (as % of initial pool principal)	23.3%
Series A1 PTC amortisation (as % of initial PTC principal)	50.9%
Series A2 PTC amortisation (as % of initial PTC principal)	8.5%
Last 3 months' average monthly collection efficiency[1]	99.9%
Cumulative collection efficiency[2]	99.9%
Cumulative prepayment rate[3]	14.2%
Loss-cum-0+ days past due (dpd; % of initial pool principal)[4]	3.6%
Loss-cum-30+ dpd (% of initial pool principal)[5]	2.1%
Loss-cum-90+ dpd (% of initial pool principal)[6]	0.8%
Breakeven collection efficiency[7]	
Series A1 PTC	20.1%
Series A2 PTC	28.9%
Cumulative cash collateral (CC) utilisation	0.00%
CC available (as % of balance pool)	5.9%

[1] *Average of (Total current and overdue collections for the month as a % of Total billing for the month) for 3 months*
[2] *Cumulative collections/(Cumulative billings + Opening overdue at the time of securitisation)*
[3] *Principal outstanding at the time of prepayment of contracts prepaid till date/Initial pool principal*
[4] *Unbilled and overdue principal portion of contracts delinquent for more than 0 days, as a % of Initial pool principal*
[5] *Unbilled and overdue principal portion of contracts delinquent for more than 30 days, as a % of Initial pool principal*
[6] *Unbilled and overdue principal portion of contracts delinquent for more than 90 days, as a % of Initial pool principal*
[7] *(Balance cash flows payable to investor – CC available)/Balance pool cash flows*

Parameter	Vajra 012 Trust
Excess interest spread (EIS; as % of balance pool)[8]	
Series A1 PTC	30.1%
Series A2 PTC	38.8%
Principal subordination (% of balance pool principal)	
Series A1 PTC	58.9%
Series A2 PTC	17.4%

Transaction structure

The transaction has a two-tranche structure with Series A1 PTC comprising 86.65% of the pool principal, which is further split into two sub-tranches, viz. Series A1 PTC (51.99% of the pool principal) and Series A2 PTC (34.66% of the pool principal).

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 (86.65% of the pool principal billed) to Series A1 PTC. The balance principal (13.35% of the pool principal billed), after the replenishment of the credit enhancement, is expected to be paid on a monthly basis to Series A1 PTC, until the maturity of Series A1 PTC. A part of the residual cash flow from the pool (50%), after meeting the promised and expected payouts, will be used for the prepayment of the Series A1 PTC principal while the balance (50%) 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. Further, all cash flows, including the promised principal payout, expected principal payout, prepayments, overdues and excess interest spread (EIS) turbo, shall be split in the proportion of 90% for Series A1 PTC and 10% for Series A2 PTC.

After the maturity of Series A1 PTC, the monthly cash flow schedule to Series A2 PTC comprises the promised interest payout and principal payout (86.65% of the pool principal billed). The balance principal (13.35%), 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 payouts to Series A2 PTC. Any prepayment in the pool would be used for the prepayment of the Series A2 PTC principal.

Key rating drivers and their description

Credit strengths

Healthy pool performance – The pool's performance has been healthy with a cumulative collection efficiency of more than 99% till the July 2025 payout month. This has resulted in low delinquencies in the pool with 90+ days past due (dpd) of sub-1%. Further, there have been no instances of cash collateral (CC) utilisation till date owing to the strong collection performance and the presence of EIS in the transaction.

Considerable build-up of credit enhancement – The rating factors in the build-up of the credit enhancement cover with the CC increasing to 5.88% of the balance pool from 4.50% at the time of securitisation. Internal credit support is also available through the scheduled EIS and subordination.

Contracts backed by self-occupied residential properties – The pool is primarily backed by self-occupied residential properties. This is expected to support its quality 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 an established track record of almost a decade of regular collections and recoveries across multiple geographies.

[8] *(Pool cash flows till PTC maturity month– Cash flows to PTC A1 – Originator's residual share)/Pool principal outstanding*

Credit challenges

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 principal collection during the tenure at 3.50% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 7% 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 instruments.

Details of key counterparties

The key counterparties in the rated transaction are as follows:

Transaction name	Vajra 012 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 the transaction is superior after factoring in the credit enhancement available to meet the promised payout to the investors. The total credit enhancement would be more than 8 times the estimated loss in the pool.

Rating sensitivities

Positive factors – Not applicable

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 rating.

Analytical approach

The rating action is based on the performance of the pool till the July 2025 payout month, the present delinquency levels and credit enhancement available in the pool, and the performance expected over the balance tenure of the pool.

Analytical approach	Comments
Applicable rating methodologies	Securitisation Transactions

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 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 of 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, the founder (Mr. Arulmany) and his relatives held 9.86% (fully-diluted basis) 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	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
					Aug 22, 2025	Aug 19, 2024	Aug 12, 2024	-	-
1	**Vajra 012 Trust**	Series A1 PTC	60.00	29.48	**[ICRA]AAA(SO)**	**[ICRA]AAA(SO)**	**Provisional [ICRA]AAA(SO)**	-	-
		Series A2 PTC	40.00	36.61	**[ICRA]AAA(SO)**	**[ICRA]AAA(SO)**	**Provisional [ICRA]AAA(SO)**		

Complexity level of the rated instruments

Instrument	Complexity indicator
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	Trust name	Instrument type	Date of issuance/ Sanction	Coupon rate (p.a.p.m.)	Maturity date	Current rated Amount (Rs. crore)	Current rating
INE10VT15014	**Vajra 012 Trust**	Series A1 PTC	August 09, 2024	9.25%	January 20, 2028	29.48	[ICRA]AAA(SO)
INE10VT15022		Series A2 PTC	August 09, 2024	9.25%	January 20, 2031	36.61	[ICRA]AAA(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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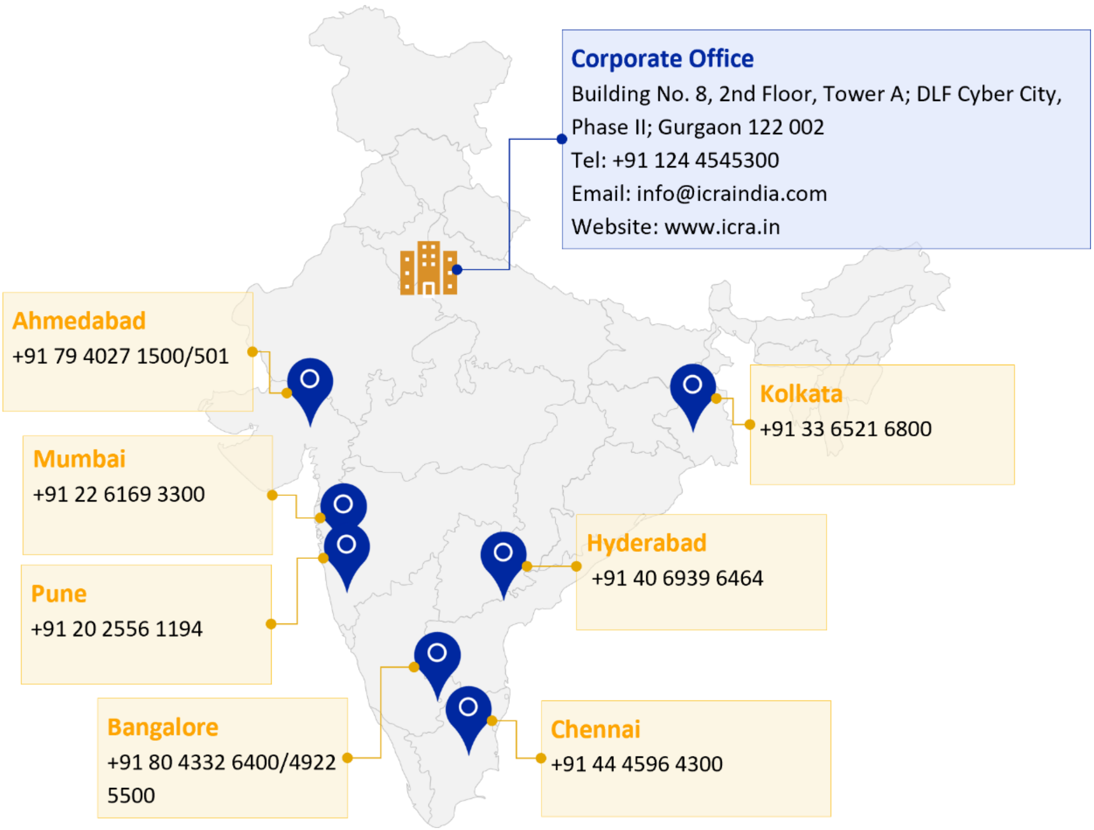

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