

August 28, 2025

Autotrac Finance Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Issuer rating	-	-	[ICRA]AA+ (Stable); reaffirmed

*Instrument details are provided in Annexure I

Rationale

The rating factors in Autotrac Finance Limited's (AFL) parentage of International Tractors Limited (ITL; rated [ICRA]AAA (Stable)/[ICRA]A1+). AFL is a wholly owned subsidiary of ITL and benefits from having access to its dealership networks and representation on its board- ITL has demonstrated a track record of extending capital support to AFL (~Rs. 248 crore infused since inception) and is expected to continue to provide support to the company in the form of debt and equity, as and when required. As AFL is the captive financier of ITL tractors and extends financing to its dealers and retail buyers, ICRA expects AFL to remain strategically important to ITL. Any change in the parent's credit profile or a reduction in its support to AFL would be a key rating sensitivity.

The rating also considers AFL's adequate capitalisation and profitability indicators, supported by controlled credit costs. While the company is not expected to secure external debt in the near term, its ability to increase its scale and manage earnings with leverage over the medium term and through economic cycles, is yet to be tested.

AFL has a limited track record and moderate scale with assets under management (AUM) of Rs. 283 crore as on March 31, 2025 (Rs. 249 crore as on March 31, 2024). Further, the company is exposed to lumpy slippages due to the wholesale nature of inventory financing to ITL's dealers and vendors, which account for a sizeable share of its portfolio (56% of AUM as on March 31, 2025). ICRA notes that the company is gradually building up its retail portfolio (44% of AUM as on March 31, 2025 compared with 4% on March 31, 2022). While the increasing share of retail loans shall improve the portfolio granularity, the target borrower profile shall be susceptible to income shocks due to agro-climatic cycles. Going forward, AFL's ability to steadily increase the scale of operations while maintaining the asset quality indicators and a healthy profitability would be a key monitorable.

The Stable outlook reflects ICRA's expectations that AFL will continue to receive support (managerial, operational and financial) from the parent, which will help it in meeting its growth plans.

Key rating drivers and their description

Credit strengths

Strong parentage; wholly-owned subsidiary of ITL – By virtue of its parentage and its position as a captive financier (dealer and vendor financing, and tractor financing), AFL benefits from the operational, financial and management support from ITL. Moreover, its credit and business policies and processes are in line with those approved by the parent. ITL has demonstrated a track record of extending capital support to AFL (~Rs. 248 crore infused since inception) as well as debt support through line of credit of Rs. 15 crore and is expected to continue to provide support to the company in the form of debt and equity, as and when required.

Adequate capitalisation for current scale of operations – AFL is adequately capitalised for the current scale of operations (net worth of Rs. 300 crore as on March 31, 2025) and had not availed any external borrowings as on March 31, 2025. The parent has supported AFL's lending operations by regular capital infusions (latest capital infusion of Rs. 50 crore in FY2024). While AFL has a sanctioned line from ITL to meet its short-term liquidity needs, it has no external debt as on March 31, 2025. AFL is not expected to raise external debt at least in the near term and is expected to be supported by the parent for

its liquidity and capital requirements. Considering the importance of AFL to the Group, ICRA expects support from ITL, in the form of debt and equity to be forthcoming, as and when required.

Adequate profitability, though sustenance of the same yet to be tested – The NIMs remain supported by negligible leverage, albeit some moderation on a YoY basis because of some moderation in yield in the retail segment. Range-bound credit costs (0.8% in FY2025) and decline in operating expenses/AMA (Average Managed Assets) to 4.7% in FY2025 from 5.5% in FY2024 reduced the impact of the moderation in NIMs. Consequently, the return on average managed assets moderated to 2.8% in FY2025 from 3.3% in FY2024. Going forward, the earnings profile is expected to be driven by the movement in leverage and AFL’s ability to keep credit costs under control and improve its operating efficiencies with scale-up in the business.

Credit challenges

Limited track record of operations; relatively high portfolio vulnerability, given the target borrower segment – While AFL started disbursements in FY2019, the same was low in the initial months and gained traction from FY2020. The AUM grew to Rs. 283 crore as on March 31, 2025 from Rs. 6.5 crore as on March 31, 2019. Wholesale loans, in the form of loans to dealers for inventory funding and vendor financing, has dominated the company’s portfolio mix. ICRA notes that the company is gradually building up its retail portfolio to support the overall growth in the retail loan book.

AFL primarily lends to the dealers of the tractors manufactured by ITL (51% of the AUM as on March 31, 2025), for which it has a bank guarantee or a partial bank guarantee along with the hypothecation of receivables as security for majority of exposures. Of this, 44% comprises retail lending against ITL vehicles, and the balance consists of financing to the vendors of ITL, which is secured by receivables from ITL. The company started disbursing retail loans in FY2022. As on March 31, 2025, AFL’s asset quality remained under control with gross stage 3 of 0.89% (0.34% as on March 31, 2024), albeit some weakening during the year in the retail financing segment. The company’s ability to maintain good asset quality while growing as per its business plans will be a key monitorable.

Liquidity position: Strong

AFL has not taken any external debt and relies on equity provided by the parent as well as internal accruals to fund its loan book. The liquidity is also supported by the cash and cash equivalents of ~Rs. 82 crore as on March 31, 2025. The company had availed some short-term loans from ITL in the past to manage its liquidity requirements. It does not have any external funding lines.

Rating sensitivities

Positive factors – Significant scale-up with healthy asset quality and good earnings performance on a sustained basis. Improved brand association with ITL could also positively impact the ratings.

Negative factors – Pressure on the rating could arise on a deterioration in the credit profile of the parent or lower-than-expected support from the parent. Sustained weakening in capital, asset quality or earnings profile shall also negatively impact the rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Non-banking Finance Companies
Parent/Group support	Parent: International Tractors Limited (ITL) The rating is strongly linked to the expectation of continued support from ITL which in the past has included access to capital, debt and management and supervision.
Consolidation/Standalone	Standalone

About the company

Autotracs Finance Limited (AFL) is a non-banking financial company (NBFC) registered with the Reserve Bank of India (RBI) as a non-deposit taking NBFC (NBFC-ND). It is a wholly-owned subsidiary of International Tractors Limited (ITL) incorporated in July 2001. AFL got its licence from the RBI on August 2, 2018 to operate as an NBFC-ND and started its operations in 2018. The company has been formed to deliver financing solutions to rural customers through innovative products and services. It primarily offers inventory funding to the dealers of ITL, vendor finance to the vendors of ITL (both as purchase bill discounting and term loans) and retail finance for the purchase of the tractors manufactured and sold by ITL.

AFL's AUM stood at Rs. 283 crore as on March 31, 2025 (Rs. 249 crore as on March 31, 2024), including 51% towards inventory funding for ITL's dealers (52% as on March 31, 2024), 5% towards ITL's vendors (5% as on March 31, 2024), 29% towards on-book retail tractor loans (25% as on March 31, 2024) and the remaining (16%) towards off-book co-lending retail tractor loans (18% as on March 31, 2024).

AFL reported a profit after tax (PAT) of Rs. 10.9 crore in FY2025 on a total managed asset base of Rs. 413.4 crore as on March 31, 2025 compared with a PAT of Rs. 10.3 crore in FY2024 on a total managed asset base of Rs. 366.4 crore as on March 31, 2024. The company reported GNPA of 0.89% and nil NNPA as on March 31, 2025 compared with GNPA of 0.34% and nil NNPA, respectively, as on March 31, 2024.

Key financial indicators

	FY2024	FY2025
	Audited	Prov.
Total managed assets	366.4	413.4
Total income	34.1	36.8
Profit after tax (PAT)	10.3	10.9
RoMA	3.3%	2.8%
CRAR	100%	100%
Managed gearing	0.2	0.1
Gross NPA (%)	0.34%	0.89%

Source: AFL, ICRA Research; Amount in Rs. crore; All figures and ratios as per ICRA's calculations; Managed gearing = (Borrowings + Off-balance sheet advances)/Net worth; Total managed assets = Total assets + Impairment loss allowance on gross loans + off-balance sheet advances

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2026)		Chronology of rating history for the past 3 years					
		Amount rated (Rs crore)	Aug 28, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Issuer rating	Long-term	0.00	[ICRA]AA+ (Stable)	Jun 11, 2024	[ICRA]AA+ (Stable)	May 25, 2023	[ICRA]AA+ (Stable)	-	-

Source: Company; ICRA Research

Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer rating	Not applicable

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	Instrument Name	Date of Issuance/ Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Issuer rating	-	-	-	-	[ICRA]AA+ (Stable)

Source: AFL, ICRA Research

Annexure II: List of entities considered for consolidated analysis

Not applicable

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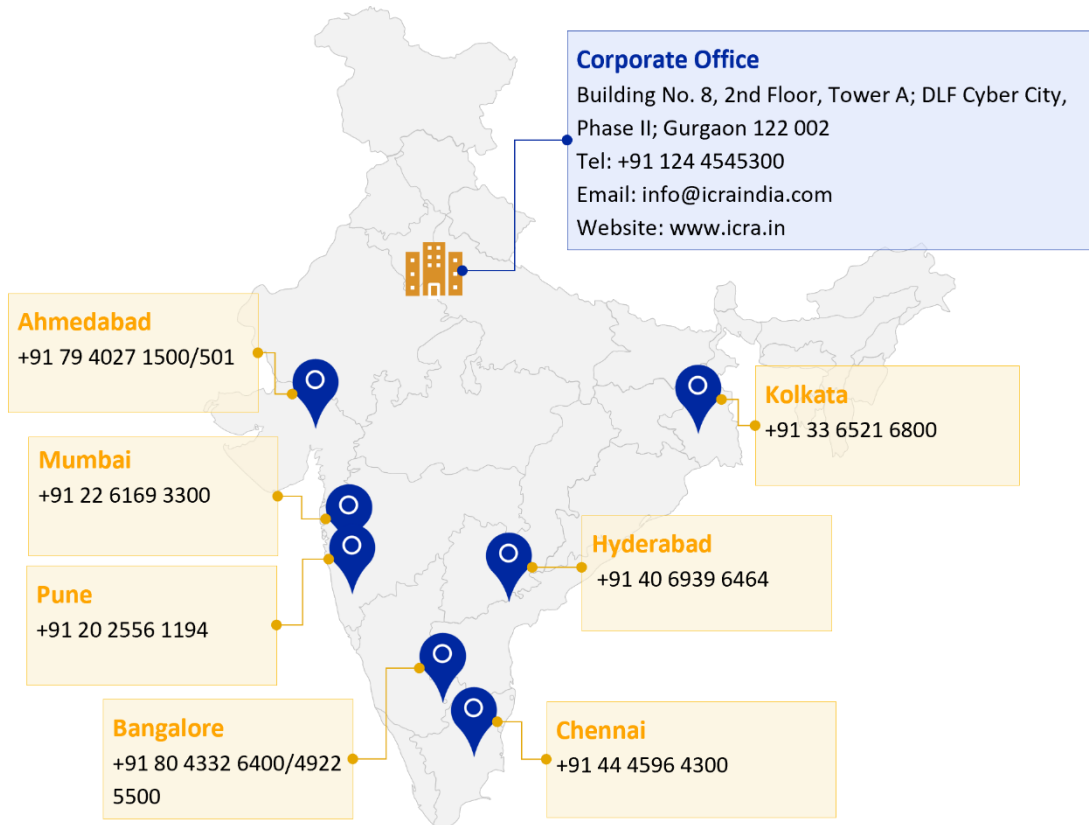


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