

September 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 Aug-25 payout (Rs. crore)	Rating action
Indigo 023	Series A1 PTC	100.00	49.35	7.40	[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 August 2025 payout month.

Pool performance summary

Parameter	Indigo 023
Payout month	August 2025
Months post securitisation	23
Pool amortisation (as % of initial pool principal)	71.0%
Series A1 PTC amortisation (as % of initial PTC principal)	92.6%
Last 3 months' average monthly collection efficiency ¹	96.8%
Cumulative collection efficiency ²	97.4%
Cumulative prepayment rate ³	21.9%
Loss-cum-0+ days past due (dpd; % of initial pool principal) ⁴	3.6%
Loss-cum-30+ dpd (% of initial pool principal) ⁵	2.9%
Loss-cum-90+ dpd (% of initial pool principal) ⁶	1.9%
Breakeven collection efficiency ⁷	
Series A1 PTC	5.2%
Cumulative cash collateral (CC) utilisation	0.00%
CC available (as % of balance pool)	17.2%
Excess interest spread (EIS; as % of balance pool) ⁸	
Series A1 PTC	19.2%
Principal subordination (% of balance pool principal)	
Series A1 PTC	77.1%

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

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

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout and principal payout (89.97% of the pool principal billed) to Series A1 PTC. The balance principal (10.03%), 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 (75%), after meeting the promised and expected payouts, will be used for the prepayment of the Series A1 PTC principal while the balance (25%) 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.

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 97% till the August 2025 payout month. This has resulted in low delinquencies in the pool with the 90+ days past due (dpd) and 180+ dpd at 1.90% and 1.23%, respectively. The breakeven collection efficiency is also low compared to the collection efficiency observed in the pool.

Considerable build-up of credit enhancement – The rating factors in the build-up in the credit enhancement cover with the cash collateral increasing to ~17% of the balance pool principal from 5% at the time of securitisation. Further, there have been no instances of cash collateral utilisation till date owing to the strong collection performance and the presence of subordination and excess interest spread (EIS) in the transaction.

Contracts backed by self-occupied residential properties – A major part of the pool (~95% of its contracts) 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 an established track record of almost a decade of regular collections and recoveries across multiple geographies.

Credit challenges

Risks associated with lending business – The pool’s performance would remain exposed to macroeconomic 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 0.50% 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 instrument.

Details of key counterparties

The key counterparties in the rated transaction are as follows:

Transaction name	Indigo 023
Originator	Veritas Finance Limited
Servicer	Veritas Finance Limited
Trustee	Catalyst Trusteeship Limited
CC holding bank	ICICI Bank
Collection and payout account bank	ICICI Bank

Liquidity position: Superior

The liquidity for the PTC instrument in 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 10 times the estimated loss in the pool.

Rating sensitivities

Positive factors – NA

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 August 2025 payout month, the present delinquency levels and the 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 June 30, 2025, Veritas had 509 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. 7,477 crore as of June 2025 (Rs. 7,349 crore as on March 31, 2025). The company has divided the MSME loan product segment into two broad heads – MSME Rural and MSME Urban, apart from home loans (HLs). 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 HL segment focusses on affordable housing. These products are differentiated on the basis of the purpose of the loan, customer segment, etc.

As on June 30, 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	FY2024	FY2025	Q1 FY2026
	Audited	Audited	Provisional
Total income	1,124	1,557	433
PAT	246	295	62
Assets under management (AUM)	5,724	7,349	7,477
Gross NPA	1.79%	2.21%	2.8%
Net NPA	0.85%	1.10%	1.4%
CRAR	41.49%	37.82%	38.3%

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
					Sep 22, 2025	Sep 25, 2024	Sep 29, 2023	Sep 14, 2023	-
1	Indigo 023	Series A1 PTC	100.00	7.40	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AA+(SO)	Provisional [ICRA]AA+(SO)	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Series A1 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
INE0RAC15010	Indigo 023	Series A1 PTC	Sep 20, 2023	9.75%	Jul 20, 2028	7.40	[ICRA]AAA(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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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.

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