

November 20, 2025

## ITI Finance Limited: Provisional ratings assigned to PTCs backed by a pool of commercial vehicle loan receivables

### Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
Mercury 2025	PTC Series A1a	27.55	Provisional [ICRA]AA(SO); Assigned
	PTC Series A1b	27.55	Provisional [ICRA]A(SO); Assigned

\*Instrument details are provided in Annexure I

Rating in the absence of pending actions/documents	No ratings 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 commercial vehicle loan receivables originated by ITI Finance Limited (IFL/Originator) with an aggregate principal outstanding of Rs. 61.23 crore (pool receivables of Rs. 79.43 crore). IFL would be acting as the servicer for the 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 provisional 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

As per the transaction structure, both PTC Series A1a and PTC Series A1b investors will receive the promised interest payouts each month on pari-passu basis. All the principal collections including prepayments would be passed on to PTC Series A1a on an expected basis till the 'attachment month'. The 'attachment month' is defined as February 2028, the month till which the pool principal billing would be ~1.7 times the PTC Series A1a principal. Post the attachment month, all balance collections including prepayments would be passed on to both series of PTC Series A1 on an equal basis i.e. 50:50. The principal is promised to the investors for both series of PTCs (PTC Series A1a and PTC Series A1b) on the legal final maturity date of the tranches.

The credit enhancement for PTC Series A1a is available in the form of pool principal cover of ~1.7 times over the PTC Series A1a principal and pool cashflow cover of ~2.0 times over the PTC Series A1a cashflows till the attachment month. For PTC Series A1b the credit enhancement is available in the form of subordination of 10.00% of the initial pool principal and excess interest spread (EIS) of 18.80% of the initial pool principal. Further credit enhancement is available in the structure in the form of a CC of 6.00% of the initial pool principal, amounting to Rs. 3.67 crore, to be provided by the Originator (IFL). The CC will be used to meet shortfalls in promised payouts to PTC investors and as per the clauses specified in the legal documents.

### Key rating drivers and their description

#### Credit strengths

**Granular pool supported by presence of credit enhancement** - The pool is granular, consisting of 1,944 contracts, with no contracts forming more than ~0.2% of the pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of subordination, cash collateral (CC) and excess interest spread (EIS) would absorb some amount 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 are no overdue contracts as on the cut-off date.

**Adequate servicing capability of the originator** - ITI Finance has adequate processes for servicing of the loan accounts in the securitised pool. It has demonstrated track record of regular collections of over five years and recovery across a wide geography.

### Credit challenges

**High geographical concentration** - The pool has high geographical concentration with the top 3 states, viz. Kerala, Karnataka, and Maharashtra contributing ~53% 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 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 5.00% of the pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 3.0% to 9.0% 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.

### Liquidity position:

#### Liquidity position: Superior for PTC Series A1a

The liquidity is superior for PTC Series A1a after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement is 9.75 times the estimated loss in the pool.

#### Liquidity position: Strong for PTC Series A1b

The liquidity is strong for PTC Series A1b after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement is 5.5 times the estimated loss in the pool.

### Rating sensitivities

**Positive factors** – The ratings 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 ratings downgrade. Weakening in the credit profile of the servicer (IFL) could also exert pressure on the ratings.

### Analytical approach

The rating action is based on the analysis of the performance of IFL portfolio till September 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	Comments
Applicable Rating Methodologies	<a href="#">Rating Methodology for 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 rating is provisional and would be converted into final upon the execution of:

1. Trust Deed
2. Power of Attorney
3. Accounts Agreement
4. Assignment Agreement
5. Servicing Agreement
6. Legal opinion
7. Trustee letter
8. Auditor's certificate
9. 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

ITI Finance Limited (IFL) is a non-deposit taking NBFC commenced operations in 2012 and operated as a subsidiary of ITI Ltd (formerly, Fortune Financial Services (India) Ltd), a holding company of the ITI group. IFL has a strong pan-India presence across 17 states, operating through 167 branches and supported by a workforce of 1,772 employees. As of March 2025, the company manages an Asset Under Management (AUM) of Rs. 1,953 crore, serving over 72,000 borrowers. The Investment Trust of India Limited (ITI Group) is a diversified financial services conglomerate listed on both Bombay Stock Exchange and National Stock Exchange. The group operates across multiple verticals including vehicle finance, SME finance, education finance, investment banking, institutional and retail broking, and mutual funds. With a presence in over 200 locations across India, ITI Group is backed by prominent shareholders including Mr. Sudhir Valia, Executive Director of Sun Pharmaceuticals.

### Key financial indicators

	FY2023	FY2024	FY2025	Q1FY2026
<b>Total income</b>	234.47	299.13	430.85	116.86
<b>PAT</b>	17.40	21.96	42.00	6.90
<b>Total assets</b>	2,021.22	2,581.65	2,875.22	2,957.55
<b>Gross NPA</b>	3.5%	2.7%	3.3%	3.7%
<b>CRAR</b>	38.66%	22.99%	21.43%	20.74%

Source: Company, ICRA Research

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for past three years

Sr. No.	Trust Name	Current Rating (FY2026)			Chronology of Rating History for the Past 3 Years		
		Instrument	Amount Rated (Rs. crore)	Date & Rating in FY2026	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023
				November 20, 2025	-	-	-
1	Mercury 2025	PTC Series A1a	27.55	Provisional [ICRA]AA(SO)	-	-	-
		PTC Series A1b	27.55	Provisional [ICRA]A(SO)			

### Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A1a	Moderately Complex
PTC Series A1b	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	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Amount Rated (Rs. crore)	Current Rating
NA	Mercury 2025	PTC Series A1a	November 14, 2025	9.25%	May 17, 2030	27.55	Provisional [ICRA]AA(SO)
NA		PTC Series A1b	November 14, 2025	10.25%	May 17, 2030	27.55	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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