

February 05, 2026

## Veritas Finance Limited: Rating confirmed as final for PTCs backed by secured business loan and home construction loan receivables issued by Vajra 018 Trust

### Summary of rating action

| Trust Name      | Instrument*   | Current Rated Amount<br>(Rs. crore) | Rating Action  |
|-----------------|---------------|-------------------------------------|--|
| Vajra 018 Trust | Series A1 PTC | 150.00                              | [ICRA]AA+(SO); provisional rating confirmed as final |

\*Instrument details are provided in Annexure I

### Rationale

ICRA had assigned provisional rating to the pass-through certificates (PTC) issued by Vajra 018 Trust under a securitisation transaction originated by Veritas Finance Limited (Veritas/Originator). The PTCs are backed by a pool of secured business loan and home construction loan receivables originated by Veritas with an aggregate principal outstanding of Rs. 168.01 crore (pool receivables of Rs 284.45 crore).

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 rating has now been confirmed as final.

### Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of the Series A1 PTC principal. However, the EIS shall be utilised towards the repayment of the principal payout to the Series A1 PTC investor on the occurrence of certain pre-defined trigger events.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 4.00% of the initial pool principal, amounting to Rs. 6.72 crore, provided by the Originator, (ii) subordination of 10.72% of the initial pool principal for Series A1 PTC, and (iii) the EIS of 48.61% of the initial pool principal for Series A1 PTC.

### Key rating drivers and their description

#### Credit strengths

**Granular pool supported by presence of credit enhancement** – The pool is granular, consisting of 2,554 contracts, with the top 10 contracts accounting for just 1.0% of the initial pool principal as on the cut-off date, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the EIS, principal subordination and CC would absorb a part of the losses, if any, 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, none of the contracts in the pool have ever been delinquent, which is a credit positive.

**Seasoned contracts in the pool** – The pool had amortised by almost 11% as on the cut-off date with no delinquencies seen in any of the contracts, post loan disbursement. This reflects the relatively better credit profile of the borrowers.

**Contracts backed by self-occupied residential properties** – A major part of the pool (~99% of its contracts in terms of the principal amount outstanding on the cut-off date) 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

**High geographical concentration** – The pool has high geographical concentration with the top 3 states, viz. Tamil Nadu, Andhra Pradesh and Karnataka, contributing ~93% to the initial pool principal amount. Its performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

**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 pool principal collection during its tenure at 4.50% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 7.2% to 27.0% 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.

### Details of key counterparties

The key counterparties in the rated transaction are as follows:

| Transaction Name                   | Vajra 018 Trust              |
|------------------------------------|------------------------------|
| 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 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** – The sustained strong collection performance of the underlying pool of contracts (monthly collection efficiency >95%), leading to lower-than-expected delinquency levels and build-up of cover from the credit enhancement of the balance pool principal would result in a rating upgrade.

**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 (Veritas) could also exert pressure on the rating.

## 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             | Comments   |
|---------------------------------|--|
| Applicable rating methodologies | <a href="#">Rating Methodology for Securitisation Transactions</a> |
| 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 September 30, 2025, Veritas had 510 branches across 10 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. 7,901 crore as of September 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 and vehicle finance. 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 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    | H1 FY2026     |
|-------------------------|-----------|-----------|---------------|
|                         | (Audited) | (Audited) | (Provisional) |
| <b>Total income</b>     | 1,124     | 1,557     | 871           |
| <b>PAT</b>              | 245       | 295       | 129           |
| <b>AUM</b>              | 5,724     | 7,349     | 7,901         |
| <b>Gross NPA</b>        | 1.8%      | 2.2%      | 2.9%          |
| <b>Net NPA</b>          | 0.9%      | 1.1%      | 1.6%          |
| <b>CRAR</b>             | 41.5%     | 37.8%     | 36.7%         |

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

| 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   |
| Vajra 018 Trust | Series A1 PTC | 150.00                           | 150.00                           | [ICRA]AA+(SO)                                     | Feb 05, 2026            | Feb 02, 2026            | Provisional [ICRA]AA+(SO) |

### Complexity level of the rated instrument

| Instrument    | Complexity Indicator |
|---------------|----------------------|
| Series A1 PTC | Highly 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 No.     | Trust Name      | Instrument Type | Date of Issuance / Sanction | Coupon Rate (p.a.p.m.) | Maturity Date  | Current Rated Amount (Rs. crore) | Current Rating |
|--------------|-----------------|-----------------|-----------------------------|------------------------|----------------|----------------------------------|----------------|
| INE2QJS15015 | Vajra 018 Trust | Series A1 PTC   | January 30, 2026            | 8.30%                  | April 20, 2035 | 150.00                           | [ICRA]AA+(SO)  |

Source: Company

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

Not Applicable

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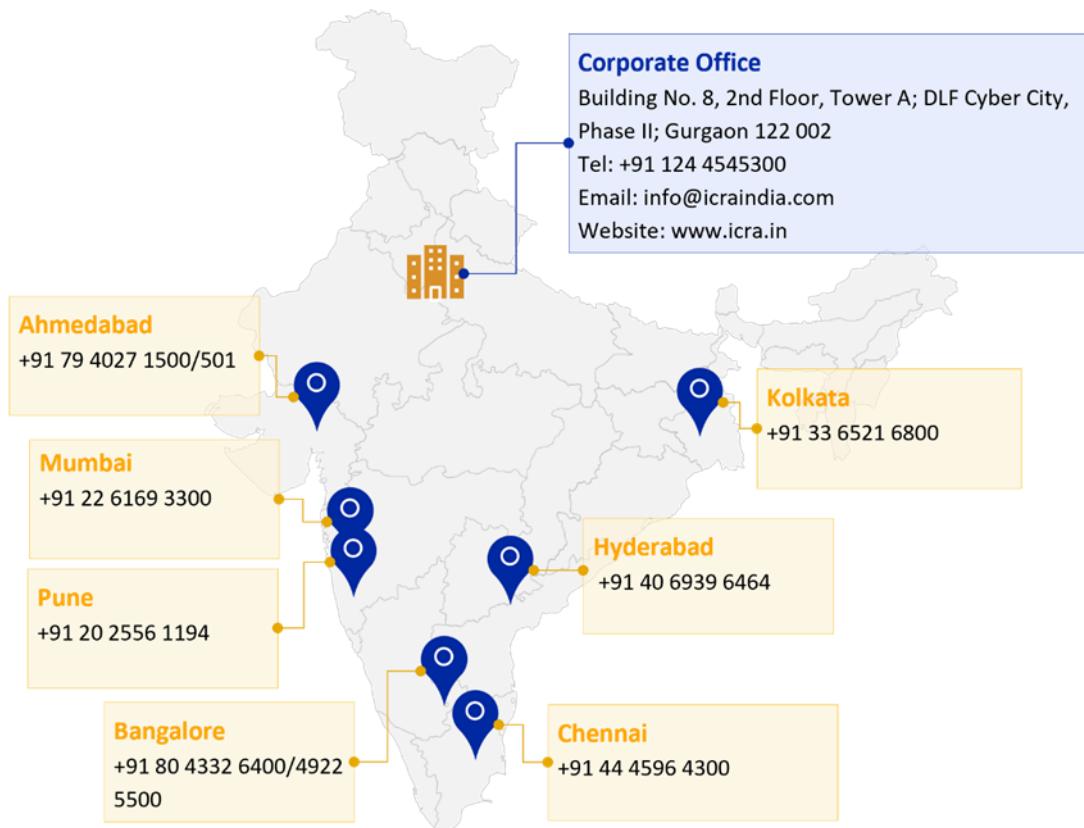
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