

UGAM DEC 24 – II

Originator: L&T Finance Limited (Revised)

August 10, 2026

Instrument [#]	Name of the Regulator ¹	Amount (₹ crore) [@]	Balance Tenure (months) [*]	Credit Enhancement ^{\$} (₹ crore)	Rating ²	Rating Action
				Cash Collateral		
Series A PTCs	RBI	93.33	28	24.41 [^]	CARE AAA (SO)	Reaffirmed

Details of instruments/facilities in Annexure-1.

[#]Pass-through certificates (PTCs) are rated based on timely payment of interest and payment of principal by the final legal maturity.

[@]After July 2026 payout.

^{*}Tenure/door-to-door maturity may change due to prepayments or changes in interest rates.

^{\$}Excess interest spread (EIS) will flow back to the originator on a monthly basis at every payout after making expected and scheduled payouts to investors.

[^]Post Proposed credit enhancement (CE) reset.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has reaffirmed the rating of Series A PTCs issued by UGAM DEC 24 - II, backed by tractor loan receivables originated by L&T Finance Limited (LTF), at 'CARE AAA (SO)' [pronounced as 'Triple A (Structured Obligation)'].

Reaffirmation in the rating is primarily based on performance of underlying loans in the last 18 months post securitisation, robust legal structure, well-defined payment mechanism, significant build-up in cash collateral (CC) as a percentage of balance amount of pass-through certificates (PTCs), subordination of excess interest spread (EIS), servicing capability and overall performance of LTF.

Proposed reset of credit enhancement

LTF had requested to reset the credit enhancement (CE) for UGAM DEC 24 - II. CareEdge Ratings has analysed the transaction for the rating to assess CC requirement after the July 2026 payout. Based on reserve floor suggested by Reserve Bank of India (RBI) and calculated requirement of CC for maintaining current rating of the transaction, CareEdge Ratings has concluded that there is scope for release of a part of the CC. The proposed CC reset calculation is presented below. The rating for the transaction will remain unchanged even after the proposed reset of the CC amount. However, according to regulatory guidelines, the amount of CC that can be released would be restricted to 60% of the difference between current CC amount and revised CC amount allowed by CARE Ratings. **Proposed CC reset shall be subject to approval of PTC investors.**

Current CC (₹ crore) (a)	CC required to maintain the rating (₹ crore) (b)	CC proposed to be released (₹ crore) (c) = 60%*(a-b)	Available CC post proposed CC reset (₹ crore) (d) = (a-c)
40.51	13.68	16.10	24.41

Rating sensitivities: Factors likely to lead to rating actions

Positive factors - Factors that could, individually or collectively, lead to positive rating action/upgrade:

None

Negative factors - Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Delinquencies (90+ days past due [DPD] as percentage of initial principal outstanding [POS]) of over 5% and sustained lower collection efficiency (cumulative collection efficiency [CCE] of less than 90%).
- Utilisation of cash collateral (CC).
- Deterioration in credit profile of the originator.
- Non-adherence to key transaction terms envisaged at the time of the rating.

¹SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority

²Complete definitions of ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

Analytical approach

The rating reaffirmation is based on inter alia, observed and expected pool performance, presence of CE and adherence to the transaction structure.

Detailed description of key rating drivers

Pool Performance:

The transaction is structured at timely payment of interest and payment of principal on or before the final legal maturity date. The pool has amortised by ~77% in 18 months post-securitisation. As of July 2026 payout, overdue (OD; as a percentage of initial pool POS) is 1.05% and CC which is in the form of fixed deposit (FD), stands at 43.40% (as percentage of balance pool POS) with nil utilisation. The CE reset is subject to investor consent. The CE available post proposed CE reset is sufficient to sustain ratings for the balance tenure.

Pool summary (as of July 2026 payout)	
Months post-securitisation	18
Pool amortisation	76.96%
30+ delinquency (percentage of the initial pool POS)	1.57%
90+ delinquency (percentage of the initial pool POS)	0.97%
Overdue amount (percentage of the initial pool POS)	1.05%
Cumulative Collection Efficiency (CCE)	98.10%
CC (percentage of the balance PTC POS)	26.16%^
Cumulative prepayments	21.12%

^Post proposed CC reset

Key strengths:

- CC post proposed CC reset as a percentage of PTC POS is ~26%, which has remained unutilised.
- Cumulative Collection efficiency stands at ~98%.
- The pool has performed on expected lines for 18 months (post-securitisation) and has amortised by ~77%.
- Well-defined payment mechanism and adherence to the transaction structure.
- The 90+ DPD and OD in the pool is low at 0.97% and 1.05%, respectively (as percentage of initial pool POS).

Key weakness:

- Underlying borrowers in the pool have volatile cashflows.

Liquidity: Strong

Inherent liquidity in the structure is strong. Interest payouts for Series A PTCs are promised on monthly, while principal of Series A PTCs is promised to be paid by final legal maturity. In case of delinquency, payouts are expected to be supported by CE consisting of CC and EIS.

Key rating assumptions and adequacy of credit enhancement:

CareEdge Ratings has analysed the transaction to assess whether the CE is sufficient to cover the shortfalls. Since the transaction is sensitive to the credit quality of the underlying pool, CareEdge Ratings has analysed performance of static pools provided by the originator and overall portfolio performance of the originator. Considering borrower profile, nature of loan, pool characteristics, and portfolio performance, CareEdge Ratings has taken average shortfall at 4.00-5.00% of the POS. Base case shortfalls were stressed along with other key factors, such as timing of shortfalls, recovery assumptions, and time to recovery. Pool cash flow has been further adjusted for prepayments of underlying loans, assuming monthly prepayment in the range of 0.50-1.00%. CareEdge Ratings has stipulated CE, which is commensurate with credit rating of PTCs.

Key risks, concerns and mitigants:

The securitisation transaction involves several risks, including credit risk from borrower defaults, commingling risk due to time lags in fund deposits, prepayment risk from early principal repayments, servicer bankruptcy risk, legal risk regarding the validity of receivable transfers, and counterparty risk involving transaction parties. These risks are factored while assigning rating, wherever needed, and partially mitigated through credit enhancements, separate record-keeping, credit rating/profile of the originator, transaction structuring, true sale of receivables, legal opinion from independent legal counsel. The transaction structure also has provision to change counterparties including trustee and banker among others.

Applicable criteria

[Policy on Default Recognition](#)

[CARE Ratings' methodology for asset/mortgage-backed securitisation](#)

About the originator / servicer and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Securitisation

Promoted by L&T Limited, LTF was incorporated as L&T Capital Holdings on May 01, 2008, to carry on investments/finance. As on June 30, 2026, L&T Limited holds 65.96% stake in the company and the rest is held by public at large. It is listed on the National Stock Exchange and the Bombay Stock Exchange. In December 2023, L&T Finance Holdings Ltd (LTFH) merged with its subsidiaries, including L&T Finance Limited (erstwhile), L&T Infra Credit Limited, and L&T Mutual Fund Trustee Limited. Following this merger, LTFH renamed itself L&T Finance Limited in May 2024 and has since been functioning as a retail non-banking financial company (NBFC), integrating all lending operations under a single entity. In August 2024, the company changed its status from NBFC-CIC (Core Investment Company) to NBFC-ICC (Investment Credit Company). LTF is engaged in tractor loan business for over 15 years and is an active player in securitisation/bilateral market, and as on June 30, 2026, LTF has over 14 such live pools with initial size amounting to over ₹5,450 crore.

In line with the company's strategy to expand its granular portfolio, LTF's retail portfolio mix increased to 98% as on June 30, 2026. LTF's asset under management (AUM) grew by 27%, rising to ₹1,29,634 crore as on June 30, 2026, from ₹1,02,314 crore as on June 30, 2025. As on June 30, 2026, 98% of LTF's AUM comprised loans to retail segments, including rural business finance, farmer finance, two-wheeler loans, home loans/loan against property (LAP), personal loans, small and medium enterprise (SME), acquired portfolio, and gold loans. The remaining 2% of the AUM represents loans to the wholesale segment.

Key financial indicators - LTF

Brief financials (₹ crore)	FY25 (A)	FY26 (A)	Q1FY27 (UA)
Total income	15,941	17,917	5,243
Profit after tax (PAT)	2,643	2,983	916
Assets under management (AUM)	97,762	1,21,728	1,29,634
On-book gearing (x)	3.6	3.9	4.1
AUM / tangible net-worth (TNW) (x)	4.1	4.7*	4.6*
Gross non-performing assets (NPA) / gross stage three (%)	3.29	2.88	2.86
Return on managed assets (ROMA) (%)	2.4	2.3	NA
Capital adequacy ratio (CAR) (%)	22.27	18.34	17.89

A: Audited; UA: Unaudited; NA: Not Available; *Calculated based on total net worth; Note: these are latest financial results available.

Key terms of servicer contract:

The servicing agreement has covered role of the originator as the collection and payment agent (CPA) for the special purpose vehicle (SPV) in managing collections from underlying borrowers, who have consented to such assignment through provisions incorporated in the respective loan agreements. The Servicer (originator) follows its standard procedures for collections, including recovery actions, and ensures timely transfers of funds to the SPV under an M+1 payment structure. The trustee monitors the sufficiency of funds for investor payouts one day prior to payout date and utilises cash collateral in case of shortfall. The Servicer is also submitting detailed reports on billing, collections (including prepayment), overdue amounts with aging thereof, cash flow schedules to the trustee and such other information as may be required by the trustee. The terms of the agreement have provisions for the appointment of an alternate servicer in case of servicer event of default.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Nil

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instruments/facilities: Annexure-3

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4**Disclosure on facilities/instruments and name of regulators:**

A list of facilities / instruments falling under the purview of financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities:

Name of the Instrument	Name of the Regulator	Complexity Level	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Pass Through Certificates	RBI	Highly Complex	INE1BGQ15019	31-Jan-2025	6.75	27-Nov-2028	93.33	CARE AAA (SO)

Annexure-2: Rating history for last three years:

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2026-2027	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024
1	Pass Through Certificates	LT	93.33	CARE AAA (SO)	-	1) CARE AAA (SO) (14-Jan-26) 2) CARE AAA (SO) (02-May-25)	1) Provisional CARE AAA (SO) (31-Jan-25)	-

LT – Long Term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Lender details

Not applicable

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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