May 27, 2021

Aptus Value Housing Finance India Limited: Rating withdrawn for PTC Series A1 and upgraded to AA-(SO) for PTC Series A2, issued under mortgage loan securitisation transaction

Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Vivriti Gryffindor 02 2019	PTC Series A1	39.64	16.12	0.00	[ICRA]AA+(SO); Withdrawn
	PTC Series A2	27.98	27.98	25.39	[ICRA]AA-(SO); Upgraded from [ICRA]A+(SO)

**Instrument details are provided in Annexure-1*

Rationale

The pass-through certificates (PTCs) are backed by a pool of mortgage loan receivables originated by Aptus Value Housing Finance India Limited (Aptus). The receivables had been assigned to the trust at par and the trust had issued two series of PTCs backed by these receivables. The rating has been upgraded on account of the high amortisation in the transaction, which has led to the significant build-up of the credit enhancement cover over the future PTC payouts. The breakeven collection efficiency is also comfortable compared to the actual collection levels observed in the pool.

ICRA has also withdrawn the rating for PTC Series A1 under Vivriti Gryffindor 02 2019 as all payouts have been made and no further payments are due to the investors.

A summary of the performance of the pool till the March 2021 collection month (April 2021 payout) has been tabulated below:

Pool performance summary

Parameter	Vivriti Gryffindor 02 2019
Months post securitisation	26
Pool amortisation	51.88%
PTC Series A1 amortisation	100.00%
PTC Series A2 amortisation	9.27%
Cumulative collection efficiency[1]	97.16%
Loss-cum-0+ dpd[2] (% of initial pool)	12.99%
Loss-cum-30+ dpd[3] (% of initial pool)	12.99%
Loss-cum-90+ dpd[4] (% of initial pool)	1.15%
Cumulative cash collateral utilisation	0.00%
Breakeven collection efficiency[5] for PTC Series A1	0.00%
Breakeven collection efficiency[6] for PTC Series A1 and A2	48.31%
Cumulative prepayment rate (% of initial pool)	22.21%
Cash collateral (CC % of balance pool)	6.23%

[1] *(Cumulative Current and Overdue Collections till date)/(Cumulative Billing till date + Opening Overdues at the start of the transaction)*
[2] *Inclusive of Unbilled and Overdue Principal portion of delinquent contracts, as a % of Initial Pool Principal*
[3] *Inclusive of Unbilled and Overdue Principal portion of delinquent contracts with 30 days past due, as a % of Initial Pool Principal*
[4] *Inclusive of Unbilled and Overdue Principal portion of delinquent contracts with 90 days past due, as a % of Initial Pool Principal*
[5] *(Balance Cash Flows payable to investor for PTC Series A1 – CC available)/ Balance Pool Cash Flows*
[6] *(Balance Cash Flows payable to investor – CC available)/ Balance Pool Cash Flows*

Principal subordination (% of balance pool) for PTC Series A1	100.00%
Principal subordination (% of balance pool) for PTC Series A2	32.12%
Excess interest spread (EIS; % of balance pool) for PTC Series A1[7]	0.00%
Excess interest spread (EIS; % of balance pool) for PTC Series A2[8]	36.26%

Key rating drivers

Credit strengths

- High amortisation of PTCs resulting in build-up of cash collateral (CC), principal subordination and excess interest spread cover available for the balance PTC payouts
- Low delinquency levels exhibited by the pool

Credit challenges

- High state concentration in the balance pool with around 70% of the contracts from the state of Tamil Nadu
- Pool performance will remain exposed to any fresh disruptions due to second wave of the Covid-19 pandemic

Description of key rating drivers highlighted above

The performance of the pool has been strong with a cumulative collection efficiency of 97% (till March 2021 collections). There has been no instance of CC utilisation owing to healthy collections and the timely interest and ultimate payment structure of the pool. The loss-cum-90+ dpd and loss-cum-180+ dpd in the pool are low at 1.15% and 0.87%, respectively. The pool has amortised by around 52%. Thus, credit enhancement has built up significantly with respect to the balance pool principal. The geographical concentration of the loan contracts for the balance pool is, however, high with the top state of Tamil Nadu constituting around 70% of the balance pool.

Overall, the credit enhancement available for meeting the balance payouts to the investors is sufficient to upgrade the rating of PTC Series A2. ICRA will continue to monitor the performance of the transaction. Any further rating action will be based on the performance of the pool and the availability of credit enhancement relative to ICRA's expectations.

Key rating assumptions

ICRA's cash flow modelling for the surveillance of mortgage-based securitisation (MBS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the balance tenor of the pool) and prepayments in the pool. The assumptions for the loss and coefficient of variation (CoV) are arrived at after taking into account the past performance of the originator's portfolio and rated pools as well as the performance and characteristics of the specific pool being evaluated. Additionally, the assumptions may be adjusted to factor in the current operating environment and any industry-specific factors that ICRA believes could impact the performance of the underlying pool contracts.

After making these adjustments, the expected loss and prepayments during the balance tenure of the pool are given in the table below.

S. No.	Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
1	Vivriti Gryffindor 02 2019	3.5%-4.5%	12%-18% p.a.

[7] *(Pool Cash Flows – Cash Flows to PTC A1 – Originator's residual share)/ Pool Principal outstanding*

[8] *(Pool Cash Flows – Cash Flows to PTC A1 – Cash Flows to PTC A2 – Originator's residual share)/ Pool Principal outstanding*

Liquidity position: Strong

As per the transaction structure, only the interest amount is promised to the PTC holders on a monthly basis while the principal amount is promised on the scheduled maturity date of the transaction. The cash flows from the pool and the available credit enhancement are expected to be comfortable to meet the promised payouts to the PTC investors. The CC is adequate to meet the promised interest payouts for the PTCs for 9 months.

Rating sensitivities

Positive factors – The rating could be upgraded based on the sustained strong collection performance of the underlying pool 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 enhancements.

Negative factors – The rating could be downgraded based on the sustained weak collection performance of the underlying pool, leading to higher-than-expected delinquency levels and credit enhancement utilisation levels.

Analytical approach

The rating action is based on the analysis of the performance of Aptus' portfolio till December 2020, 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	Rating Methodology for Securitisation Transactions
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

About the company

Aptus is a housing finance company (HFC) incorporated in December 2009. The corporate office is in Chennai. The company's target borrowers are from the low-to-middle-income segments. Its target geographies are the southern states, with a focus on rural and semi-urban areas. Aptus is largely focused on self-employed customers (about 73% of the total portfolio) without documentary evidence of their income and with limited access to funding from banks and larger HFCs. The company has adequate systems and processes to assess the income of borrowers. Aptus is promoted by Mr. M Anandan. The company has a wholly-owned subsidiary – Aptus Finance India Private Limited, which extends mortgage loans to small and medium enterprises.

Key financial indicators (consolidated)

Aptus Value Housing Finance India Limited	FY2020	9M FY2021^
Total income	523.1	479.1
Profit after tax	193.0#	189.4
AUM	3,183.4	3,804.6
Gross NPA (%)	0.70%	0.76%
Net NPA (%)	0.56%	0.46%

Amounts in Rs. crore; All ratios as per ICRA calculations
^Unaudited
 # Adjusted for reversed deferred tax liability of Rs. 18.0 crore after considering impact of change in tax rate

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Trust Name	Current Rating (FY2022)				Chronology of Rating History for the Past 3 Years		
		Instrument	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					May 27, 2021	May 21, 2020	April 16, 2019*	March 13, 2019^
1	Vivriti Gryffindor 02 2019	PTC Series A1	39.64	--	**[ICRA]AA+(SO) Withdrawn**	**[ICRA]AA+(SO)**	**[ICRA]AA+(SO)**	**Provisional [ICRA]AA+(SO)**
		PTC Series A2	27.98	25.39	**[ICRA]AA-(SO)**	**[ICRA]A+(SO)**	**[ICRA]A+(SO)**	**Provisional [ICRA]A+(SO)**

^Provisional ratings assigned

**Provisional ratings confirmed as final*

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Vivriti Gryffindor 02 2019	PTC Series A1 and PTC Series A2	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: www.icra.in

Annexure-1: Instrument details

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Vivriti Gryffindor 02 2019	PTC Series A1	March 2019	10.00%	January 2025	0.00	[ICRA]AA+(SO) withdrawn
	PTC Series A2		11.10%		25.39	[ICRA]AA-(SO)

** Scheduled maturity date at transaction initiation; may change on account of prepayments*

Source: *Company*

Annexure-2: 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

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