

Aptus Value Housing Finance India Limited

April 16, 2019

Summary of Rated Instruments

Trust Name	Instrument	Initial Amount (Rs. crore ¹)	Rated Amount (Rs. crore)	Rating action
Vivriti Gryffindor 02 2019	PTC Series A1	39.64	39.64	Provisional rating of [ICRA]AA+(SO) confirmed as final
	PTC Series A2	27.98	27.98	Provisional rating of [ICRA]A+(SO) confirmed as final

**Instrument details are provided in Annexure I*

Rationale

ICRA has confirmed the provisional ratings assigned to PTCs issued by Vivriti Gryffindor 02 2019 trust as final, as tabulated above. The PTCs are backed by a pool of Rs. 121.82 crore loan against property (LAP) loan receivables (underlying pool principal of Rs. 77.73 crore).

In March 2019, ICRA had assigned Provisional [ICRA]AA+(SO) rating to PTC Series A1 and Provisional [ICRA]A+(SO) rating to PTC Series A2, issued by Vivriti Gryffindor 02 2019 trust. Since the executed transaction documents are in line with the rating conditions, and the legal opinion for the transaction have been provided to ICRA, the said ratings have now been confirmed as final.

Key rating drivers

Credit Strengths

- The first line of support is available for the transaction through subordination of 49.00% and 13.00% of pool principal for PTC Series A1 and A2 respectively
- Further credit support in the transaction is available through subordination of the excess interest spread (EIS) amounting to around 49.15% of the pool principal amount for PTC A1 and 34.86% of the pool principal amount for PTC A2; followed by a Cash Collateral (CC) equivalent to 3.00% of the initial pool principal amount.
- Pool is devoid of any delinquent contracts as on the pool cut-off date
- None of the contracts have LTV greater than 70%

Credit challenges

- The pool has a moderate share of contracts with FOIR greater than 40%
- The pool has high state level concentration with the top three states contributing to 95.67% of pool principal

Description of key rating drivers highlighted above

The first line of support for Series A1 PTCs in the transaction is in the form of subordination of 49.00% of the pool principal (includes principal payable to PTC A2 and over collateralization). After PTC A1 has been fully paid, subordination of 13.00% of the pool principal will be available for PTC A2. The transaction is structured such that any collection in excess of the promised interest payouts to PTC A1 would be first utilised for payment of expected principal of PTC A1 and

¹ 100 lakh = 1 crore = 10 million

then for expected interest payouts to PTC A2. After PTC A1 is completely amortised the same would be utilised for payment of promised interest and expected principal to PTC A2. Additionally, EIS available in the structure will also provide credit enhancement support.

Cash collateral of 3.00% of the initial pool principal provided by Aptus acts as further credit enhancement in the transaction. In the event of shortfall in meeting the promised PTC payouts during any month, the Trustee will utilize the cash collateral to meet the shortfall.

The pool consists entirely of LAP contracts which have been disbursed at a fixed rate. The pool is characterised by high seasoning (average seasoning of around 26.9 months). The pool does not have any overdue contracts as on the pool cut-off date. The pool has an average LTV of around 31.0%, and only 0.06% of the pool contracts have LTV of greater than 65%. The obligor concentration in the current pool is low with the top 10 obligors together accounting for around 2.3% of the pool principal. The current pool has contracts from five states but the geographical concentration is high with top state of Tamil Nadu constituting ~72% of the pool principal and the top five districts constituting ~21% of the pool principal.

Key rating assumptions

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

After making the aforementioned adjustments, the expected mean shortfall in principal collection during the tenure of the pool is given in the table below.

Sr. No	Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
1	Vivriti Gryffindor 02 2019	5.5%-6.5%	12%-18% p.a.

Liquidity Position

The principal amount on the rated PTCs is promised on the scheduled maturity date. Only the interest amount is promised on a monthly basis. This structural feature imparts significant liquidity in the transaction, as even a small amount of collections in the underlying pool contracts would be sufficient to meet the promised PTC payouts.

Additionally, there is cash collateral available in the transaction amounting to 3.0% of the pool principal amount. The cash collateral provided the originator is adequate to meet promised interest payouts due to the senior PTC investors for a period of 8 months even in an unlikely scenario of no collections in the pool.

Performance of past rated pools:

ICRA has rated two pools originated by Aptus and backed by LAP loans. Out of these, one transaction matured in Apr-17 (collection month). The cumulative collection efficiency for this matured pool has been 95%, with the 90+ delinquency of 0.4% as on the last payout in May-17. The live pool has performed well with collection efficiency of more than 96% and loss-cum-180+ dpd levels of sub 0.8% after Feb-19 payout.

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	Rating Methodology for Securitisation Transactions
Parent/Group Support	Not Applicable
Consolidation / Standalone	Not Applicable

About the Originator

Chennai-based Aptus is a housing finance company (HFC), promoted by Mr. M Anandan, and incorporated in December 2009. The company's target borrowers are from the low- to middle-income segments, with an average ticket size of about Rs. 7-8 lakh. Its target geographies are the southern states, with a focus on rural and semi-urban areas. Aptus is largely focussed on self-employed customers 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 has a wholly-owned subsidiary, Aptus Finance India Private Limited (Aptus Finance), which extends mortgage loans to small and medium enterprises. On a standalone basis, Aptus Finance's book size was about Rs. 96 crore as on September 30, 2018.

In FY2018, Aptus (consolidated) reported a net profit of Rs. 70.2 crore on a total managed asset base of Rs. 1,477.7 crore against a net profit of Rs. 37.2 crore on a total managed asset base of Rs. 879.0 crore in FY2017.

ICRA has assigned long term rating of [ICRA]A(stable) and short term rating of [ICRA]A1 for the company as on Dec-18.

Key financial indicators

Aptus – consolidated	IGAAP FY2017	IGAAP FY2018	Ind-AS H1 FY2019
Total Income	126.4	212.9	149.3
Profit after Tax	37.2	70.2	48.1
Net Worth	521.1	589.5	632.9
Managed Portfolio	846.3	1,411.0	1,756.3
Total Managed Assets	879.0	1,477.7	1,919.2
Return on Managed Assets	5.2%	6.0%	5.7%
Return on Net Worth	10.1%	12.6%	15.8%
Gearing (times)	0.6	1.4	1.9
Gross NPA%	0.45%	0.50%	0.80%
Net NPA%	0.35%	0.40%	0.60%
CAR%	98.1%	63.9%	53.7%

Amounts in Rs. crore

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years:

Current Rating						Chronology of Rating History for the past 3 years			
S.No	Name of Instrument	Type	Initial Amount Rated (Rs. Crores)	Amount Outstanding (Rs. Crores)	Month-year & Rating	Month-year & Rating in FY2019	Month- year & Rating in FY2018	Month- year & Rating in FY2017	
					Apr 2019	Mar 2019			
1	Vivriti Gryffindor 02 2019	PTC Series A1	39.64	39.64	[ICRA]AA+(SO)	Provisional [ICRA]AA+(SO)	-	-	
		PTC Series A2	27.98	27.98	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-	

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [Click here](#)

Annexure-1: Instrument Details

Sl.	Trust Name	Instrument	Date of Issuance	Coupon Rate [#]	Scheduled Maturity Date [*]	Rated Amount (Rs. crore ²)	Current Rating
1	Vivriti	PTC Series A1	Mar 2019	10.00%	November 2024	39.64	[ICRA]AA+(SO)
	Gryffindor 02 2019	PTC Series A2		11.10%		27.98	[ICRA]A+(SO)

per annum payable monthly

² 100 lakh = 1 crore = 10 million

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About ICRA Limited:

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