May 21, 2020

Aptus Value Housing Finance India Limited: Rating reaffirmed for pass through certificates (PTCs) issued under LAP securitization transaction

Summary of rated actions

Sl.	Trust Name	Instrument*	Initial Amount (Rs. crore[1])	Principal O/s previous surv exercise (Rs. crore)	O/s after Apr-20 Payout (Rs. Cr)	Rating action
1.	Vivriti Gryffindor 02 2019	PTC Series A1	39.64	NA	16.12	Rating Reaffirmed at [ICRA]AA+(SO)
		PTC Series A2	27.98	NA	27.98	Rating Reaffirmed at [ICRA]A+(SO)

**Instrument details are provided in Annexure I*

Rationale

ICRA has reaffirmed the ratings to PTCs issued under one securitisation transactions Vivriti Gryffindor 02 2019 originated by Aptus Value Housing Finance India Limited (Aptus), as tabulated above. The PTCs are backed by loan against property (LAP) receivables originated by Aptus. The receivables have been assigned to the trust at par and the trust has issued two series of PTCs backed by the same.

The rating reaffirmation is on account of moderate amortisation of the pool and high cumulative collection efficiency observed in the transaction. The amortisation has led to a healthy build-up of cover from the outstanding credit enhancements over the future PTC payouts. The pool has reported lower-than-expected delinquencies so far.

ICRA notes that the senior PTC investor in the transaction has provided approval for extension of moratorium for underlying contracts for two months (April and May collections) in line with the 'Covid-19 Regulatory Package' announced by the Reserve Bank of India (RBI) on March 27, 2020. Further, as per the investor approvals, the credit enhancement available would not be used for meeting promised investor payouts during May 2020 and June 2020 payouts. The Excess Interest Spread (EIS) would be used for prepayment and there would be no leakage to the originator for May 2020 and June 2020 payouts.

Pool performance summary (till April 2020 payout month)

A summary of the performance of the pools till April 2020 payout month has been tabulated below.

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[1] *100 lakh = 1 crore = 10 million*

[2] Referred to Carbonari in note

[3] Referred to Gaul in note

Parameter	VIVRITI GRYFFINDOR 02 2019
Months post securitization	14
Pool Amortization	30.25%
PTC Amortization PTC A1	59.35%
PTC Amortization PTC A2	--
Cumulative Collection Efficiency[2]	97.70%
Loss cum 90+ dpd[3] (% of initial Pool)	1.08%
Loss cum 180+ dpd (% of initial Pool)	0.38%
90+ dpd[4] (% of Balance Pool)	1.54%
180+ dpd (% of Balance Pool)	0.54%
Cumulative Cash Collateral Utilization	0.00%
Average monthly prepayment rate	0.97%
Breakeven Collection Efficiency[5]	
PTC A1	19.24%
PTC A2	64.40%
Cash Collateral (% of Balance Pool)	4.30%
Principal Subordination (% of Balance Pool) for	
PTC A1	70.27%
PTC A2	18.66%
Excess Interest Spread (% of Balance Pool) for[6]	
PTC A1	40.54%
PTC A2	27.79%

Key rating drivers

Credit Strengths

- High amortization 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

- Uncertainty arising from the nationwide lockdown due to Covid-19 outbreak that may lead to near-term stress on pool performance
- High state concentration in the balance pool with 70% of the contracts from state of Tamil Nadu

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[2] *(Cumulative Current and Overdue Collections till date)/(Cumulative Billing till date + Opening Overdues at the start of the transaction)*

[3] *Inclusive of Unbilled and Overdue Principal portion of contracts delinquent for more than 30 days, as a % of Initial Pool Principal*

[4] *Inclusive of Unbilled Principal portion of contracts delinquent for more than 30 days, as a % of Balance Principal*

[5] *(Balance Cashflows payable to investor– Cash collateral available)/ Balance Pool Cashflows*

[6] *(Pool Cashflows – Cashflows to PTC A1 – PTC A2 principal – originator's residual share)/ Pool Principal outstanding*

Description of key rating drivers highlighted above:

The performance of the pool has been strong with cumulative collection efficiency at 97.70% (till Mar-20). 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 is low at 1.08% and 0.38% respectively. The pool has amortised by around 30%. 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 balance payouts to the investors is sufficient to reaffirm the ratings of the PTCs. ICRA will continue to monitor the performance of the transactions. Any further rating action will be based on the performance of the pool (post the moratorium period) and the availability of credit enhancement relative to ICRA's expectations.

Key rating assumptions

ICRA's cash flow modelling for surveillance of MBS transactions involves simulation of potential delinquencies, losses (shortfall in principal collection during the balance tenor of the pool) and prepayments in the pool. The assumptions for loss and the Co-efficient of Variation (CoV) are arrived at after taking into account the past performance of the Originator's portfolio and rated pools, and also the performance and 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. Further, the ongoing nationwide lockdown and subsequent uncertainty around macro level economic activity could lead to near-term stress on pool performance.

After making the aforementioned adjustments, the expected loss and prepayments during the balance tenure of the pools are as given in the table below.

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

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. This imparts significant liquidity to the transaction in the interim period. The cash flows from the pool and the available credit enhancement are expected to be comfortable to meet the promised payouts to PTC investors. The cash collateral is adequate to meet the promised interest payouts for Senior PTCs for 14 months assuming nil collections.

Rating sensitivities

Positive triggers – Sustained strong collection performance of the underlying pool contracts leading to lower than expected delinquency levels, and on an increase in the cover available for future investor payouts from the credit enhancements.

Negative triggers – Sustained weak collection performance of the underlying pool leading to higher than expected delinquency levels and higher credit enhancement utilization levels

Analytical approach:

The rating actions are based on the performance of the pool till April 2020 (payout month), the present delinquency profile of the pool contracts, performance expected over the balance pool tenure, and the credit enhancement 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:

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. 8-9 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 with limited or no documentary evidence of their income, and with limited access to funding from banks and larger HFCs. Aptus' wholly-owned subsidiary, Aptus Finance extends mortgage loans to small and medium enterprises. On a standalone basis, Aptus Finance's book size was about Rs. 336 crore as on September 30, 2019.

In FY2019, Aptus (consolidated) reported a net profit of Rs. 111.7 crore on a total managed asset base of Rs. 2,363.1 crore compared with a net profit of Rs. 66.7 crore on a total managed asset base of Rs. 1,465.4 crore in FY2018. In H1 FY2020, the net profit stood at Rs. 81.2 crore (provisional) on a total managed asset base of Rs. 3,443.8 crore.

Key financial indicators

Aptus – Consolidated	Ind-AS FY2018*	Ind-AS FY2019*	Ind-AS H1 FY2020 (P)
Total Income	203.6	338.4	236.9
Profit after Tax	66.7	111.7	81.2
Net Worth	584.9	698.6	1,574.70
Managed Portfolio	1,411.0	2,247.3	2,738.9
Total Managed Assets	1,465.4	2,363.1	3,472.3
Return on Managed Assets	5.8%	5.8%	5.6%
Return on Net Worth	12.1%	17.4%	14.3%
Gearing (times)	1.4	2.3	1.2
Gross NPA%	0.5%	0.4%	0.7%
Net NPA%	0.4%	0.3%	0.5%
CAR%	63.9%	43.6%	83.7%

*Amount in Rs. crore; *Audited; P - Provisional*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: NA

Rating history for last three years:

S.No.	Name of Instrument	Type	Rated amount (Rs. Crores)			Chronology of Rating History for the past 3 years	
			Rated amount (Rs. Crores)	Amount outstanding (Rs. Crores)	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					21-May-20	16-Apr-19	13-Mar-19
1.	Vivriti Gryffindor 02 2019	PTC Series A1	39.64	16.12	[ICRA]AA+(SO)	[ICRA]AA+(SO)	Provisional [ICRA]AA+(SO)
		PTC Series A2	27.98	27.98	[ICRA]A+(SO)	[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 www.icra.in

Annexure-1: Instrument details

Sl.	Trust Name	Instrument	Date of Issuance	Coupon Rate (p.a.)	Scheduled Maturity Date*	Rated Amount (Rs. crore[7])	Current Rating
1.	Vivriti Gryffindor 02 2019	PTC Series A1	March 2019	10.00%	January 2025	16.12	[ICRA]AA+(SO)
		PTC Series A2		11.10%		27.98	[ICRA]A+(SO)

** Scheduled maturity at transaction initiation; may change on account of prepayments in the underlying pool*

[7] *100 lakh = 1 crore = 10 million*

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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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