

May 26, 2022

Aptus Value Housing Finance India Limited: Rating upgraded to [ICRA]AA+(SO) for PTC Series A2 issued under mortgage loan securitisation transaction

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Amount after Apr-22 Payout (Rs. crore)	Rating Action
Vivriti Gryffindor 02 2019	PTC Series A2	27.98	25.39	8.04	[ICRA]AA+(SO); Upgraded from [ICRA]AA-(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; rated [ICRA]AA- (Stable)}. 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. However, the pool's performance might get impacted in case of any future disruptions due to the Covid-19 pandemic.

Pool performance summary

A summary of the performance of the pools till the March 2022 collection month has been tabulated below.

Parameter	Vivriti Gryffindor 02 2019
Months post securitisation	38
Pool amortisation	74.21%
PTC Series A2 amortisation	71.20%
Cumulative collection efficiency ¹	98.41%
Loss-cum-0+ dpd ² (% of initial pool)	6.67%
Loss-cum-90+ dpd ³ (% of initial pool)	0.62%
Loss-cum-180+ dpd ⁴ (% of initial pool)	0.59%
Cumulative cash collateral (CC) utilisation	0.00%
Breakeven collection efficiency ⁵ for PTC Series A2	24.29%
Cumulative prepayment rate (% of initial pool)	30.32%
Cash collateral (CC % of balance pool)	11.63%
Principal subordination (% of balance pool) for PTC Series A2	59.92%
Excess interest spread (EIS; % of balance pool) for PTC Series A2 ⁶	22.38%

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 90 days past due, as a % of Initial Pool Principal

⁴ Inclusive of Unbilled and Overdue Principal portion of delinquent contracts with 180 days past due, as a % of Initial Pool Principal

⁵ (Balance Cash Flows payable to investor – CC available)/ Balance Pool Cash Flows

⁶ (Pool Cash Flows – Cash Flows to PTC A1 – Cash Flows to PTC A2 – Originator's residual share)/ Pool Principal outstanding

Key rating drivers

Credit strengths

- High amortization of PTCs resulting in build-up of cash collateral, 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 67% of the contracts from state of Tamil Nadu.
- Performance of the pool will remain exposed to any fresh disruptions that may arise due to 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 98.4% (till March 2022 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+ days past due (dpd) in the pool is low at 0.62% and the pool has amortised by around 74%. Thus, the 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 Tamil Nadu constituting around 67% of the same.

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.

Performance of past rated pools: ICRA has rated two transactions for Aptus backed by mortgage loan receivables in the past and both pools have matured and have been withdrawn.

Key rating assumptions

ICRA's cash flow modelling for the surveillance of mortgage-backed 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 the 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 of contracts.

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

Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
Vivriti Gryffindor 02 2019	1%-2%	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. 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.

Rating sensitivities

Positive factors – The rating could be upgraded upon cash collateral fully covering balance PTC payouts.

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

Analytical approach

The rating action is based on the analysis of the performance of Aptus' portfolio till March 2022, 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, with its corporate office in Chennai. The company got listed on the stock exchange on August 24, 2021. Aptus' target borrowers are from the low to middle-income segments. The company's target geographies are the southern states, with a focus on rural and semi-urban areas. Aptus is largely focused on self-employed customers (about 72% of the total portfolio) without documentary evidence of their income and limited access to funding from banks and larger HFCs. The company is promoted by Mr. M Anandan.

Aptus has a wholly-owned subsidiary – Aptus Finance India Private Limited, which extends mortgage loans to small and medium enterprises. The subsidiary had a book size of Rs. 688 crore as on March 31, 2022.

Key financial indicators

Aptus (consolidated)	FY2020	FY2021	FY2022*
Total income	523.7	655.2	840.2
Profit after tax	193.0 [#]	266.9	370.0
Loan book	3,125.4	4,004.0	5,180.0
Gross NPA (%)	1.7%	0.7%	1.2%
Net NPA (%)	1.5%	0.5%	0.9%

Amount in Rs. crore

Source: Company, ICRA Research; * Provisional numbers

[#] Adjusted for reversed deferred tax liability of Rs. 18.0 crore after considering the impact of the change in the 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 (FY2023)				Chronology of Rating History for the Past 3 Years		
		Instrument	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					May 26, 2022	May 27, 2021	May 21, 2020	April 16, 2019*
1	Vivriti Gryffindor 02 2019	PTC Series A2	27.98	8.04	[ICRA]AA+(SO)	[ICRA]AA-(SO)	[ICRA]A+(SO)	[ICRA]A+(SO)

**Provisional rating confirmed as final*

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Vivriti Gryffindor 02 2019	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 Type	Date of Issuance	Coupon Rate (p.a.p.m.)	Maturity Date*	Amount Rated (Rs. crore)	Current Rating and Outlook
Vivriti Gryffindor 02 2019	PTC Series A2	March 2019	11.10%	January 2025	8.04	[ICRA]AA+(SO)

*Scheduled maturity 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:

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