

August 17, 2023

## Aptus Finance India Private Limited: Rating upgraded to [ICRA]AAA(SO) for PTC Series A3 backed by loan against property (LAP SME loans) receivables

### Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Current Rated Amount after July 2023 Payouts (Rs. crore)	Rating Action
Northern Arc 2019 SBL Artin	PTC Series A3	13.52	13.52	7.29	[ICRA]AAA(SO); Upgraded from [ICRA]AA+(SO)

\*Instrument details are provided in Annexure I

### Rationale

ICRA has upgraded the rating for the pass-through certificates (PTCs) issued under the securitisation transaction, Northern Arc 2019 SBL Artin, backed by a pool of loan against property (LAP SME Loans) receivables originated by Aptus Finance India Private Limited (AFIPL; rated [ICRA]AA- (Stable)). The rating upgrade is on account of the significant amortisation in the pool, which has led to the build-up of the credit enhancement (CE) cover over the future PTC payouts in the transaction. The breakeven collection efficiency is also comfortable compared to the actual collection level observed in the pool.

### Pool performance summary

A summary of the performance of the pool till the June 2023 collection month (July 2023 payout) has been tabulated below.

Parameter	Northern Arc 2019 SBL Artin
Months post securitisation	49
Pool amortisation	69.1%
PTC amortisation – PTC Series A3	46.1%
Cumulative collection efficiency <sup>1</sup>	98.2%
Loss-cum-0+ <sup>2</sup>	11.7%
Loss-cum-30+ <sup>3</sup>	8.2%
Loss-cum-90+ <sup>4</sup>	1.7%
Breakeven collection efficiency <sup>5</sup> – PTC Series A3	13.3%
Cumulative cash collateral (CC) utilisation (% of initial CC)	0.0%
CC available (% of balance pool principal)	9.7%
Excess interest spread (EIS) over balance tenure (as % of balance pool principal) <sup>6</sup> –PTC Series A3	116.2%
Principal subordination (% of balance pool principal) – PTC Series A3	63.3%
Cumulative prepayment rate	40.3%

<sup>1</sup> Cumulative collections till date / Cumulative billings till date + Opening overdues

<sup>2</sup> Principal outstanding (POS) on contracts aged 0+ dpd + Overdues / Initial POS on the pool

<sup>3</sup> POS on contracts aged 30+ dpd + Overdues / Initial POS on the pool

<sup>4</sup> POS on contracts aged 90+ dpd + Overdues / Initial POS on the pool

<sup>5</sup> It is the minimum collection efficiency required over the balance tenure to ensure all investor payouts are met: (Balance cash flows payable to investor – CC available) / Balance pool cash flows

<sup>6</sup> (Pool interest – PTC Series A3 investor interest)/Pool principal outstanding

## Key rating drivers

### Credit strengths

- High amortisation of PTCs resulting in a healthy build-up of Cash Collateral (CC), principal subordination and excess interest spread cover available for the balance PTC payouts.
- Healthy collection efficiency observed in the pool.
- Delinquencies remaining well within initial assumptions and no CC utilization till date

### Credit challenges

- High state concentration in the balance pool with ~80% of the contracts from Tamil Nadu.
- Performance of the pool would remain exposed to macro-economic shocks / business disruptions, if any.

## Description of key rating drivers highlighted above

The performance of the pool has been strong with a cumulative collection efficiency of over 98% as of the July 2023 payout month. 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 1.7% and it has amortised by ~69%. Thus, the CE has built up significantly with respect to the balance pool principal. However, the geographical concentration of the loan contracts in the balance pool is high with Tamil Nadu constituting ~80% of the same. Overall, the CE available for meeting the balance payouts to the investors is sufficient to upgrade the rating of PTC Series A3. 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 CE relative to ICRA's expectations.

**Performance of past rated pools:** ICRA has rated two pools originated by AFIPL. The performance of the live pool (which have completed at least 2 months post securitisation) has been healthy till date with the cumulative collection efficiency exceeding 98%. There has been no CC utilisation till the July 2023 payout month.

## Key rating assumptions

ICRA's cash flow analysis for asset-backed securitisation (ABS) 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 pool, 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 pool are as given in the table below.

Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
Northern Arc 2019 SBL Artin	2-3%	5-18% p.a.

## Liquidity position: Superior

The cash flows from the pool and the available credit enhancement are expected to be highly comfortable to meet the promised payouts to PTC investors.

## Rating sensitivities

**Positive factors** – Not applicable

**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 performance of the pool till June 2023 collection month, the present delinquency levels, the credit enhancement available in the pool, and the performance expected over the balance tenure of the pool.

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

## About the originator

Chennai-based Aptus Value Housing Finance India Limited (Aptus), a housing finance company (HFC), was incorporated in December 2009. The company got listed on the stock exchange on August 24, 2021. Its target borrowers are from the low to middle-income segments, with an average ticket size of about Rs. 7-8 lakh. Its current geographies are the southern states, with a focus on rural and semi-urban areas. Aptus is primarily focused 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, AFIPL, extends mortgage loans to small and medium enterprises. On a standalone basis, AFIPL's assets under management (AUM) was about Rs. 978 crore as on March 31, 2023.

In FY2022, AFIPL reported a net profit of Rs. 62.4 crore on a total managed asset base of Rs. 698 crore compared with a net profit of Rs. 49.5 crore on a total managed asset base of Rs. 602 crore in FY2021. In FY2023, the net profit stood at Rs. 79 crore.

## Key financial indicators (standalone; audited)

	FY2021	FY2022	FY2023
Total income	112.2	143.5	167.2*
Profit after tax	49.5	62.4	79.0
Net worth	239.5	301.9	381.0
Gross gearing (times)	1.5	1.3	1.6
Gross stage 3	0.5%	1.6%	1.7%
Net stage 3	0.4%	1.2%	1.3%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

\*Revenue from operations

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

Sr. No.	Trust Name	Instrument	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years			
			Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					Aug 17, 2023	Aug 30, 2022	Aug 10, 2021	Aug 06, 2020
1	Northern Arc 2019 SBL Artin	PTC Series A3	13.52	7.29	[ICRA]AAA(SO)	[ICRA]AA+(SO)	[ICRA]AA-(SO)	[ICRA]A+(SO)

*\*Provisional rating assigned*

## Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Northern Arc 2019 SBL Artin	PTC Series A3	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: [Click Here](#)

#### Annexure I: Instrument details

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Northern Arc 2019 SBL Artin	PTC Series A3	July 2019	12.50%	October 2028	7.29	[ICRA]AAA(SO)

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

#### Annexure II: List of entities considered for consolidated analysis

Not applicable

## ANALYST CONTACTS

**Abhishek Dafria**

+91 22 6114 3440

[abhishek.dafria@icraindia.com](mailto:abhishek.dafria@icraindia.com)

**Sachin Joglekar**

+91 22 6114 3470

[sachin.joglekar@icraindia.com](mailto:sachin.joglekar@icraindia.com)

**Sumit Pramanik**

+91 22 6114 3462

[sumit.pramanik@icraindia.com](mailto:sumit.pramanik@icraindia.com)

**Vishal Oza**

+91 22 6114 3432

[vishal.oza@icraindia.com](mailto:vishal.oza@icraindia.com)

**Tina Parekh**

+91 22 6114 3455

[tina.parekh@icraindia.com](mailto:tina.parekh@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**

+91 22 6169 3304

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## 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](http://www.icra.in)

## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001  
Tel: +91 11 23357940-45



### Branches



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