

October 26, 2023

## Aptus Finance India Private Limited: Rating confirmed as final for PTCs backed by a loan against property (SME loans) receivables issued by NIMBUS 2023 Orakei

### Summary of rating action

Trust Name	Instrument*	Initial rated amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
NIMBUS 2023 Orakei	Series A1 PTC	95.62	95.62	[ICRA]AA-(SO); provisional rating confirmed as final

\*Instrument details are provided in Annexure-I

### Rationale

In July 2023, ICRA had assigned a Provisional [ICRA]AA-(SO) rating to Pass Through Certificates (PTC) Series A1 PTC issued by NIMBUS 2023 Orakei. The PTCs are backed by receivables from a Rs. 173.33 crore (pool principal amount of Rs. 101.72 crore) pool of loan against property (LAP; small and medium-sized enterprise (SME) loans) pool originated by Aptus Finance India Private Limited {AFIPL; rated [ICRA]AA-(Stable)}. Since the executed transaction documents are in line with the rating conditions and the legal opinion for the transaction has been provided to ICRA, the said rating has now been confirmed as final.

A summary of the performance of the pool after the August 2023 collection (September 2023 payout) month has been provided below.

Parameter	NIMBUS 2023 Orakei
Months post securitisation	2
Pool amortisation	5.2%
Series A1 PTC amortisation	6.2%
Cumulative prepayment rate	5.4%
Cumulative collection efficiency <sup>1</sup>	99.1%
Loss cum 0+ dpd <sup>2</sup>	3.1%
Loss cum 30+ dpd <sup>3</sup>	0.4%
Loss cum 90+ dpd <sup>4</sup>	0.0%
Cumulative credit collateral utilisation	0.0%

### Key rating drivers

#### Credit strengths

- Availability of credit enhancement in the form of Overcollateral, Excess interest spread (EIS) and Corporate Guarantee (CG)
- Nil overdue contracts as on the pool cut off date
- High share of contracts (~74%) in the pool having equifax score more than 700

<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

## Credit challenges

- High geographical concentration with share of the top two states (Andhra Pradesh and Tamil Nadu) comprising ~80% of the pool principal as on the cut off date
- The pool has contracts with fixed rate, while the PTC yield is floating and linked to the investor's external benchmark yield. Hence, the transaction is exposed to interest rate risk and any adverse movement in the benchmark yield is likely to reduce the EIS available in the transaction
- Performance of the pool would remain exposed to macro-economic shocks / business disruptions, if any.

## Description of key rating drivers highlighted above

According to the transaction structure, the loan pool receivables was assigned at par to the PTC investors. As per the waterfall mechanism for the transaction, the monthly cash flow schedule comprises the promised interest payment to Series A1 PTC at the predetermined interest rate on the principal outstanding. The principal repayment to Series A1 PTC is promised on the last payout date.

The first line of support for Series A1 PTC in the transaction is in the form of an OC/subordination of 6.00% of the pool principal. The EIS available in the structure will provide further credit enhancement support to the transaction. The EIS (48.84% of the pool principal initially, based on the indicated PTC yield, for Series A1 PTC) will be utilised towards accelerated principal amortisation (to the extent of 38% of EIS) after paying the promised and scheduled payouts to the PTCs while the balance (62% of the EIS) will flow back to the originator. All prepayment amounts would be passed on to Series A1 PTC (till Series A1 PTC principal is not fully amortised) every month and future payouts will be revised accordingly. While the loans in the underlying pool are all fixed rate loans, the yield for Series A1 PTC is floating and linked to an external benchmark rate, thereby exposing the transaction to interest rate risk.

Additional support for Series A1 PTC in the transaction is available through an unconditional and irrevocable CG from AFIP, equivalent to 8.00% of the initial pool principal. The CG shall be in the form of an unfunded credit enhancement facility provided through a CG deed. In the event of a shortfall in meeting the PTC payouts at the time of the final maturity date, the trustee will invoke the guarantee to meet the same.

The pool consists of only LAP (SME loan) contracts that are given for business purposes and have been disbursed at a fixed rate. The pool is characterised by a weighted average seasoning of ~21 months, pre-securitisation amortisation of ~14% and does not have any overdue contracts as on the cut-off date. It has an average loan-to-value (LTV) of ~38%. The geographical concentration of the loan contracts in the current pool is high with the top 2 states constituting ~80% of the pool principal. The pool's performance would remain exposed to macro-economic shocks/business disruptions, if any

**Past rated pools performance:** ICRA has rated two pools originated by AFIP. The performance of the live pools has been healthy till date with the cumulative collection efficiency upwards of 98% for the transactions. There has been no CC utilisation till the September 2023 payout.

## Key rating assumptions

ICRA's cash flow modelling for rating asset-backed securitisation (ABS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the 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 performance of the originator's portfolio as well as the 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 mean shortfall in principal collection during the tenure of the pool is estimated at 4.0-5.0% of the initial pool principal, with certain variability around it. The prepayment rate for the underlying pool is estimated in the range of 6.0-18.0% per annum.

## Liquidity position: Strong

As per the transaction structure, only the interest amount is promised on a monthly basis to the Series A1 PTC while the principal amount is promised on the scheduled maturity date of the transaction. The collections 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 on the sustained strong collection performance of the underlying pool of contracts (monthly collection efficiency >95%), leading to lower-than-expected delinquency levels, and on an increase in the cover available for future investor payouts from the credit enhancement along with an improvement in the credit profile of AFIPL.

**Negative factors** – The rating could be downgraded on the sustained weak collection performance of the underlying pool of contracts (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and credit enhancement utilisation levels. The rating could also be downgraded due to a deterioration in the credit profile of AFIPL.

## Analytical approach

The rating actions are 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	<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, Aptus Finance India Private Limited, extends mortgage loans to small and medium enterprises. On a standalone basis, Aptus Finance's 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

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		
			Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					October 26, 2023	July 26, 2023			
1	NIMBUS 2023 Orakei	Series A1 PTC	95.62	95.62	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)	-	-	-

### Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 PTC	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 Name	Date of Issuance / Sanction	Coupon Rate*	Maturity Date**	Amount Rated (Rs. crore)	Current Rating
<b>NIMBUS 2023 Oraclei</b>	Series A1 PTC	July 2023	8.90% p.a.p.m.	November 2032	95.62	[ICRA]AA-(SO)

Source: Company

\*Floating yield linked to a benchmark rate

\*\*Based on scheduled maturity of the pool of contracts; may change on account of prepayment

#### Annexure-II: 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](http://www.icra.in)

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