

July 09, 2025

Arth Padarth Factors and Finance Private Limited: Ratings confirmed as final for PTCs issued under a trade receivables securitisation transaction

Summary of rating action

Trust Name	Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
REST 7	Series A PTC	11.25	9.00	[ICRA]A-(SO); provisional rating confirmed as final
	Series B PTC	2.25	1.80	[ICRA]BBB-(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

ICRA had assigned provisional ratings to the pass-through certificates (PTC) issued by REST 7 under a securitisation transaction originated by Arth Padarth Factors and Finance Private Limited (AP Factors/Originator). The PTCs are backed by a pool of trade receivables arising from the invoices discounted by AP Factors such that the initial disbursed amount¹ would be Rs. 12.00 crore. AP Factors would also be the servicer for the transaction.

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 ratings have now been confirmed as final.

Transaction structure

The transaction structure is ultimate interest and ultimate principal (UIUP), wherein both interest and principal (100% of the pool principal billed) are promised on the final maturity date, which is at the end of the 21st month from the PTC issuance date. Further, the tenure of the pool shall be divided into two periods – replenishment period and amortisation period.

Replenishment period

The replenishment period will be 13.5 months from the commencement date of the transaction. During this period, the pool collections will be used by the trust to purchase additional identified receivables, as per the pool selection criteria. The transaction also entails certain trigger events for early amortisation. A breach of any of these trigger events would lead to the end of the replenishment period and the early commencement of the amortisation period.

Amortisation period

Following the replenishment period, the pool collections will be utilised to repay Series A PTC and then Series B PTC. The interest and principal (100% of the pool principal billed) for Series A PTC are promised on the final maturity date. Following the redemption of Series A PTC, the interest and principal (100% of the pool principal billed) for Series B PTC are promised on the final maturity date. There is an additional cushion of seven months between the expected maturity (August 31, 2026) and legal maturity (March 31, 2027) to factor in delays in payments from the Buyers².

¹ Disbursed amount is arrived at after discounting the financed amount of the trade receivables at an average rate of 14% p.a.p.m. where financed amount would not be more than 75% of the total value of the invoices.

² The Originator has identified a set of eligible Sellers and Buyers for the transaction, which may change but will adhere to the pool eligibility criteria

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 5.00% of the initial disbursed amount, i.e. Rs. 0.60 crore, provided by the Originator, and (ii) subordination of 25.00% of the initial disbursed amount for Series A PTC and 10.00% of the initial disbursed amount for Series B PTC.

Key eligibility criteria for the receivables

The eligibility criteria shall be met:

- On the commencement of the transaction for the purchase of the initial identified receivables
- At each replenishment date of the transaction for the purchase of additional identified receivables

The key eligibility criteria that must be met are:

- Invoices drawn by Seller³ on the Buyer, where the Buyer has accepted his obligation to pay on a due date
- Seller should have relationship of at least 6 months with the Buyer and billing should happen at least once in every quarter and it should be the case for the last three quarters
- Single invoice concentration of not more than 3% of the disbursed amount
- Single Seller-Buyer concentration should not comprise more than 10% of the disbursed amount
- Buyer should be rated A- (A minus) or better by a rating agency. In case of unrated subsidiaries, parent rating would be considered. International rating of subsidiaries of multi-national companies would be considered with a minimum rating of BBB-. Additionally, the pool could consist of four unrated pre-determined Buyers.
- Maximum concentration of A category and unrated Buyers would be 30% of the disbursed amount
- Buyer should not be delinquent on any other financial obligations
- There should not be any overdue invoices at the time of initial as well as subsequent assignments during the replenishment period
- Debtors should never have been in 30+ days past due (dpd) for the three months prior to the pool assignment
- The entire pool should have escrow collection from Buyers
- The pool could also include the receivables purchased from the Trade Receivables Discounting System (TReDS) platform with a predefined condition on the credit quality of the Buyer. The invoices would have to be 'confirmed' or 'accepted' and marked as 'scheduled for payment' by the Buyer with a credit rating of AAA
- No single industry concentration to be more than 30% of the disbursed amount
- The pool would include invoices such that the average financed amount would not be more than 75% of the total value of invoices
- Buyers with a rating of AA- or better may be added to the list of eligible Buyers, so long as all other conditions of the portfolio eligibility criteria are met
- A chartered accountant certificate would be submitted every month, certifying compliance with the pool criteria

Key trigger events for early amortisation

On the occurrence of any of the following trigger events, the replenishment period will end immediately with no further receivables being purchased and the PTCs will move to the amortisation period.

- Utilisation of cash collateral for making interest payment in full
- Downgrade of PTCs below BBB- or equivalent short-term rating
- Downgrade of Buyer rating by two notches for 25% of the pool
- 30+ dpd on the assigned pool breaches 25% of the pool
- More than 15% of the pool is undeployed for 15 consecutive days

³ The Originator has identified a set of eligible Sellers and Buyers for the transaction, which may change but will adhere to the pool eligibility criteria

Key rating drivers and their description

Credit strengths

Strong credit profile of the Buyers whose invoices will be assigned – The Buyers are well-established and financially strong entities with domestic credit ratings of at least A category or are a part of established global conglomerates. Comfort can also be drawn from the predefined trigger events where the breach of any trigger event would lead to the early amortisation of the PTC instruments, thereby mitigating the risk of a deterioration in the credit quality of the Buyers.

Stringent predefined eligibility criteria of invoices supporting the quality of cover pool – The replenished pool will be guided by stringent eligibility criteria, ensuring that no Buyer has been 30+ days past due (dpd) at any point during three months prior to their assignment to the pool. The eligibility criteria would ensure the quality of the pool by considering both Buyers and Sellers, the maximum concentration for any single Seller-Buyer pair cannot be more than 10% of the pool, while the invoice-level concentration can be a maximum of 3% of the disbursed amount.

Presence of credit enhancement in form of cash collateral and subordination – The first line of support for Series A PTC in the transaction is in the form of a principal subordination of 25.00% of the eligible finance value of invoices (comprising the principal payable to Series B and Series C PTCs). Further, there is subordination of 10.00% of the eligible finance value of invoices (comprising the principal payable to Series C PTC) will be available for Series B PTC. A CC of Rs. 0.60 crore (5.00% of the disbursed amount), to be provided by the Originator, would act as further credit enhancement in the transaction. Further, there is a buffer of seven months between the expected and legal maturity date built into the transaction structure.

Credit challenges

Exposure to any delays in payments by Buyers, as payment obligation from Buyers is only a contractual payment – The trust would be seen as an operational creditor of the Buyers. Therefore, the risk of non-payment by the Buyers can be deemed to be higher vis-à-vis the obligations to its financial creditors.

Relatively smaller share of Buyers' procurement requirements are met by Sellers – Although Sellers have established relationships with most Buyers, they would be meeting a relatively smaller share of the Buyers' procurement needs, given the large scale of operations of the latter.

Key rating assumptions

ICRA's cash flow modelling for rating securitisation transactions involves the simulation of potential losses in the pool. ICRA's rating assumption for the quality of the cash flows being securitised, along with the tenure of the payments, has been considered to estimate the default probability of each underlying Buyer payment. Additionally, a certain degree of correlation is assumed in the performance of the various entities in the pool as they are in the same sector/sub-sector. ICRA has also taken note of the Originator's track record in the business. Moreover, the cash flow modelling considers the assumptions regarding the build-up of delinquency/loss and the transaction structure.

Details of key counterparties

The key counterparties in the rated transaction is as follows:

Transaction Name	REST 7
Originator	Arth Padarth Factors and Finance Private Limited
Servicer	Arth Padarth Factors and Finance Private Limited
Trustee	Axis Trustee Service Limited
CC holding bank	ICICI Bank Limited
Collection and payout account bank	ICICI Bank Limited

Liquidity position: Adequate

As per the transaction structure, both interest and the principal are promised to the PTC holders on the final maturity date of the transaction. The cash flows from the pool and the available credit enhancement are expected to be adequate to meet the promised payouts to the Series A PTC and Series B PTC investors.

Rating sensitivities

Positive/Negative factors – The ratings are unlikely to be revised during the replenishment period. Any rating revision would depend on the performance of the underlying pool and the utilisation of credit enhancement during the amortisation period. Ratings could also be under pressure if sustained delays are observed in payments to Sellers from Buyers in normal course of business.

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 – Collateralised Debt Obligations
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

Arth Padarth Factors and Finance Private Limited (AP Factors) is involved in factoring and supply chain finance, supporting micro, small and medium enterprises (MSMEs) in managing their receivables and working capital cycles through receivables/payables and supply chain financing solutions. It is registered as a non-deposit taking, factoring non-banking financial company (NBFC-ND Factor). It carries on the factoring business, i.e. the business of acquisition by way of the assignment of receivables of the assignor for consideration for the purpose of collection of such receivables or for financing/purchasing with or without recourse against such assignment. This includes domestic factoring, supply chain finance for vendors and dealers, collection and dunning services, platform-based invoice discounting services for anchor running vendor and dealer finance programmes with various financial institutions. It also participates as an NBFC Factor on the Trade Receivables Discounting System (TReDS) platform for facilitating the financing/discounting of the trade receivables of MSMEs.

Key financial indicators

As per Ind-AS	FY2023	FY2024	FY2025
	Audited	Audited	Audited
Total income	0.58	2.17	3.56
Profit after tax (PAT)	(1.78)	(0.75)	(0.19)
Gross loan portfolio	4.00	6.54	15.93
Gross stage 3	0.0%	0.0%	0.0%
Net stage 3	0.0%	0.0%	0.0%

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

Any other information: None

Rating history for past three years

Trust Name	Instrument	Current Rating (FY2026)		Date & Rating in FY2026		Chronology of Rating History for the Past 3 Years		
		Initial Rated Amount (Rs. Crore)	Current Rated Amount (Rs. Crore)			Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023
				July 09, 2025	Apr 15, 2025			
REST 7	Series A PTC	11.25	9.00	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-	-
	Series B PTC	2.25	1.80	[ICRA]BBB-(SO)	Provisional [ICRA]BBB-(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A PTC	Moderately complex
Series B 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

ISIN No.	Trust Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate (p.a.p.m)	Maturity Date	Amount Rated (Rs. crore)	Current Rating
INE25OL15014	REST 7	Series A PTC	July 01, 2025	11.00%	March 31, 2027	9.00	[ICRA]A-(SO)
INE25OL15022		Series B PTC	July 01, 2025	12.75%	March 31, 2027	1.80	[ICRA]BBB-(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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