

March 30, 2026

## Arth Padarth Factors and Finance Private Limited: Ratings reaffirmed for PTCs issued under trade receivable securitisation transaction

### Summary of rating action

Trust name	Instrument*	Initial rated amount (Rs. crore)	Amount O/s after last surveillance (Rs. crore)	Amount O/s after Feb-26 payout (Rs. crore)	Rating action
REST 6	Series A1 PTC	15.75	7.50	7.50	[ICRA]A-(SO); reaffirmed
	Series B1 PTC	3.15	1.50	1.50	[ICRA]BBB-(SO); reaffirmed

\*Instrument details are provided in Annexure I

### Rationale

The pass-through certificates (PTCs) are backed by a pool of trade receivables arising from the invoices discounted by Arth Padarth Factors and Finance Private Limited (AP Factors/Originator). As per the transaction structure, the Originator would assign follow-on pools to the trust during the replenishment period, basis the predefined eligibility criteria. AP Factors would also be the servicer for the transaction.

The ratings reaffirmation for the PTCs in the transaction factors in the build-up of the credit enhancement cover over the future PTC payouts, compliance with the eligibility criteria specified for replenishment contracts, and no breach of trigger events. The pool is still in the replenishment period.

### Transaction structure

The transaction structure is ultimate interest and ultimate principal (UIUP), wherein both interest and the principal (100% of the pool principal billed) are promised on the final maturity date, which is at the end of the 21<sup>st</sup> 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 for 13.5 months from the commencement date of the transaction. During this period, the pool's collections will be used by the trust to purchase additional identified receivables, as per the 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 start of the amortisation period.

### Amortisation period

After the replenishment period, the pool's collections will be utilised to repay Series A1 PTC and then Series B1 PTC. The interest and the principal (100% of the pool principal billed) for Series A1 PTC are promised on the final maturity date. Following the redemption of Series A1 PTC, the interest and the principal (100% of the pool principal billed) for Series B1 PTC are promised on the final maturity date. An additional cushion of seven months between the expected maturity and legal maturity is provided to factor in any delays in payments from the Buyers<sup>1</sup>.

### Key eligibility criteria for the receivables

- Invoices drawn by the Seller on the Buyer, where the Buyer has accepted his obligation to pay on a due date

<sup>1</sup> 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

- Seller should have a relationship of at least six months with the Buyer and billing should happen at least once 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
- Buyers should be rated A- (A minus) or better by a rating agency. In case of unrated subsidiaries, the parent's rating would be considered. The international rating of subsidiaries of multinational companies would be considered with a minimum rating of BBB-. Additionally, the pool could consist of six 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) bucket in the three months prior to assignment to the pool; recourse on sellers with PG of promoters/ indemnity and UDCs for 100% of pool principal
- The entire pool should have escrow collection from Buyers and NOTA served
- The pool could also include the receivables purchased from the TReDS platform with a predefined condition for 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 consist of invoices such that the average financed amount would not be more than 75% of the total value of the invoices
- A chartered accountant's 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

## 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 (as per the pool eligibility criteria) or are a part of established global conglomerates. Comfort can also be drawn from the predefined trigger events. The breach of any trigger events 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 pre-defined eligibility criteria of the invoices supporting the quality of cover pool** - The replenished pool will be guided by stringent eligibility criteria such that buyer should never have been in 30+ days past due (dpd) during 3 months prior to assignment to the pool. The eligibility criteria would ensure the quality of the pool in terms of the Buyers and the Sellers that can be considered, the maximum single seller-buyer concentration which cannot be more than 10% of the pool, and invoice-level concentration which can be maximum of 3% of the pool.

**Build-up in credit enhancement** – There is a build-up in the credit enhancement with subordination increasing to ~32% for Series A1 PTC and ~19% for Series B1 PTC of the balance pool principal for the pool compared to 25% and 10% respectively at the time of securitisation. Further credit support is available through CC and through scheduled EIS. Further, there is a buffer of 7 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 small share of procurement needs of Buyers being met by Sellers** - While the originators have established relationships with most of the buyers, they would be meeting a relatively small share of the procurement needs of the buyers, 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 are as follows:

Transaction name	REST 6
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 the interest and the principal amount is promised to the PTC holders on the scheduled 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 A1 PTC and Series B1 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 even if there are sustained delays observed in payments from Buyers to Sellers in normal course of business.

## Analytical approach

The rating action is based on the legal structure of the transaction and factors in the payment mechanism along with the credit profile of the Buyers.

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology – Collateralised Debt Obligations</a>
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

## About the originator

Incorporated in 2020, Arth Padarth Factors and Finance Private Limited is engaged in factoring and supply chain finance supporting MSMEs to manage their receivables and working capital cycle through receivable/payable and supply chain financing solutions. It carries on the business of factoring i.e., the business of acquisition by way of assignment of receivables of assignor for consideration for the purpose of collecting 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 vendors and dealer finance programmes with various financial institutions. It also participates as NBFC Factor in the Trade Receivables Discounting System (TREDS) platform for facilitating the financing/discounting of trade receivables of MSMEs.

## Key financial indicators

As per Ind-AS	FY2024	FY2025	9M FY2026
	Audited	Audited	Provisional
Total income	2.17	3.56	6.44
Profit after tax (PAT)	-0.75	-0.19	0.36
Gross loan portfolio	6.54	15.93	41.77
Gross stage 3	0.0%	0.0%	4.0%
Net stage 3	0.0%	0.0%	3.8%

Source: Company, ICRA Research; All ratios are 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

Trust Name	Instrument	Current Rating (FY2026)		Chronology of Rating History for the Past 3 Years				
		Initial Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Date & Rating in FY2026	Date & Rating in FY2025		Date & Rating in FY2024	Date & Rating in FY2023
				Mar 30, 2026	Mar 03, 2025	Jan 29, 2025	-	-
REST 6	Series A1 PTC	15.75	7.50	[ICRA]A-(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-
	Series B1 PTC	3.15	1.50	[ICRA]BBB-(SO)	[ICRA]BBB-(SO)	Provisional [ICRA]BBB-(SO)	-	-

## Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 PTC	Highly complex
Series B1 PTC	Highly 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	Trust Name	Instrument Type	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Current Rated Amount (Rs. crore)	Current Rating
INE1EGY15017	REST 6	Series A1 PTC	February 21, 2025	11.10%	November 21, 2026	7.50	[ICRA]A-(SO)
INE1EGY15025		Series B1 PTC	February 21, 2025	12.88%	November 21, 2026	1.50	[ICRA]BBB-(SO)

Source: Company

## Annexure II: List of entities considered for consolidated analysis - Not applicable

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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



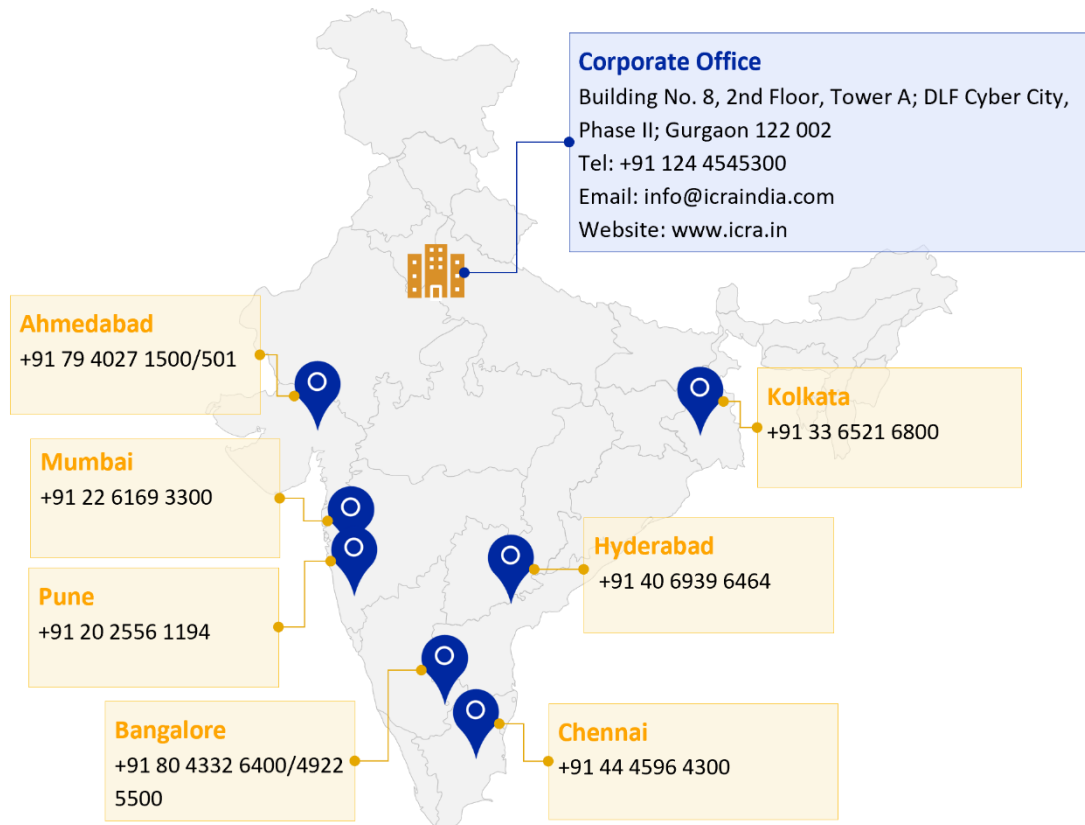
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