

July 17, 2026

Arthan Finance Private Limited: Rating upgraded for PTCs issued under a secured MSME loans securitisation transaction

Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action	Financial Sector Regulator [#]
Jade 03 2024	Series A1 PTC	5.78	3.31	1.16	[ICRA]A-(SO); Upgraded from [ICRA]BBB+(SO)	RBI

*Instrument details are provided in Annexure I

[#]SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Rationale

The pass-through-certificate (PTCs) are backed by a pool of secured micro, small & medium enterprise (MSME) loan receivables originated by Arthan Finance Private Limited {Arthan/Originator; rated [ICRA]BB+(Stable)¹}. Arthan would also act as the servicer for the transaction.

The rating upgrade factors in the build-up of the credit enhancement cover over the future PTC payouts on account of the high pool amortisation and healthy pool performance, although there has been a slight dip in collection in the last few months leading to a minimal increase in delinquencies. The rating also draws comfort from the fact that the breakeven collection efficiency is comfortably lower than the actual collection level observed in the pool till June 2026 payout month.

Pool performance summary

Particulars	Jade 03 2024
Payout month	June 2026
Months post securitisation	27
Pool amortisation	74.24%
Series A1 PTC amortisation	79.90%
Cumulative collection efficiency ²	97.46%
Loss-cum-30+ days past due (dpd) (% of initial pool) ³	3.57%
Loss-cum-90+ dpd (% of initial pool) ⁴	2.68%
Cumulative cash collateral (CC) utilisation	0.00%
Cumulative prepayment rate	19.98%
Breakeven collection efficiency for Series A1 PTC ⁵	31.41%
CC available (as % of balance pool principal)	38.82%
Principal subordination (% of balance pool) Series A1 PTC	14.70%
Excess interest spread (EIS ⁶ ; % of balance pool) Series A1 PTC	73.60%

¹ The current rating rationale of the originator, available at this [link](#), provides its detailed rating history and rating transitions.

² (Cumulative current and overdue collections till date)/(Cumulative billing till date + Opening overdues at the start of the transaction)

³ Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 30 days, as a % of initial pool principal

⁴ Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 90 days, as a % of initial pool principal

⁵ (Balance cash flows payable to Series A PTC investor – CC available)/Balance pool cash flows

⁶ (Pool Cash flows – Cash flows to Series A PTC investors – Originator's residual share)/Pool Principal outstanding

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. Any surplus EIS, after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of Series A1 PTC principal.

Key rating drivers and their description

Credit strengths

Substantial credit enhancement available in the structure – The rating action factors in the build-up in the credit enhancement with the cash collateral increasing to 38.8% of the balance pool principal from 16.6% at the time of the previous rating exercise and 10.0% at the time of securitisation. Internal credit support is also available through principal subordination along with excess interest spread (EIS).

Contracts backed by residential properties – Majority of the contracts in the pool are backed by residential properties. This is expected to support the quality of the pool as it has been observed that borrowers tend to prioritise repayments towards such loans even during financial stress.

Servicing capability of Arthan– The company has demonstrated considerable track record of regular collections and recovery across multiple geographies and economic cycles. It also has satisfactory processes for servicing the loan accounts in the securitised pool.

Credit Challenges

Risk associated with lending business – The pool performance would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans.

Key rating assumptions

ICRA's cash flow modelling for rating securitisation transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator's loan portfolio as well as the characteristics of the specific pool being evaluated. The resulting collections from the pool, after incorporating the impact of the losses and prepayments, are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction.

For the current pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 2.00% of the initial pool principal. The average prepayment rate for the underlying pool is modelled in the range of 4.8% to 18% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final rating for the instrument.

Details of key counterparties

The key counterparties in the rated transaction is as follows:

Transaction Name	Jade 03 2024
Originator	Arthan Finance Private Limited
Servicer	Arthan Finance Private Limited
Trustee	Catalyst Trusteeship Limited
CC holding bank	RBL Bank
Collection and payout account bank	ICICI Bank

Liquidity position: Superior

The liquidity for the instrument in the transaction is superior after factoring in the CE available to meet the promised payouts to the investors. The total CE would be ~9 times the estimated loss in the pool.

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.

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. Weakening in the credit profile of the servicer could also exert pressure on the rating.

Analytical approach

The rating action is based on the performance of the pool till May 2026 (collection month), the present delinquency levels and the credit enhancement available in the pool, and the performance expected over the balance tenure of the pool.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

Arthan Finance Private Limited (AFPL) was incorporated on December 11, 2018. AFPL was established by ex-RBL Bank employees with expertise in sales in retail segment, MSME lending, BC partnerships, credit and strategy as a Non-Deposit taking Non-Banking Finance Company ('NBFC') licensed by the Reserve Bank of India (RBI) with the objective of lending to self-employed entrepreneurs, MSMEs and consumers in India with differentiated models based on new technologies coupled with local expertise.

Key financial indicators

	FY2024	FY2025	FY2026
Total income	33.3	40.1	49.5
Profit after tax	-3.3	-6.8	-9.4
Total managed assets	162.7	262.0	270.0
GNPA/Gross stage 3	5.5%	3.8%	4.1%
CRAR	16.4%	28.1%	27.1%

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

Trust Name	Current Rating (FY2027)				Chronology of Rating History for the Past 3 Years			
	Instrument	Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2027	Date & Rating in FY2026	Date & Rating in FY2025		Date & Rating in FY2024
				July 17, 2026		July 04, 2024	April 02, 2024	
Jade 03 2024	Series A1 PTC	5.78	1.16	[ICRA]A-(SO)	[ICRA]BBB+(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 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

Trust Name	Instrument Name	Date of Issuance	Coupon Rate (p.a.p.m.)	Final Maturity Date	Current Amount Rated (Rs. crore)	Current Rating	Financial Sector Regulator [#]
Jade 03 2024	Series A1 PTC	March 30, 2024	14.15%	June 12, 2028	1.16	[ICRA]A-(SO)	RBI

Source: Company

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Annexure II: List of entities considered for consolidated analysis

Not Applicable

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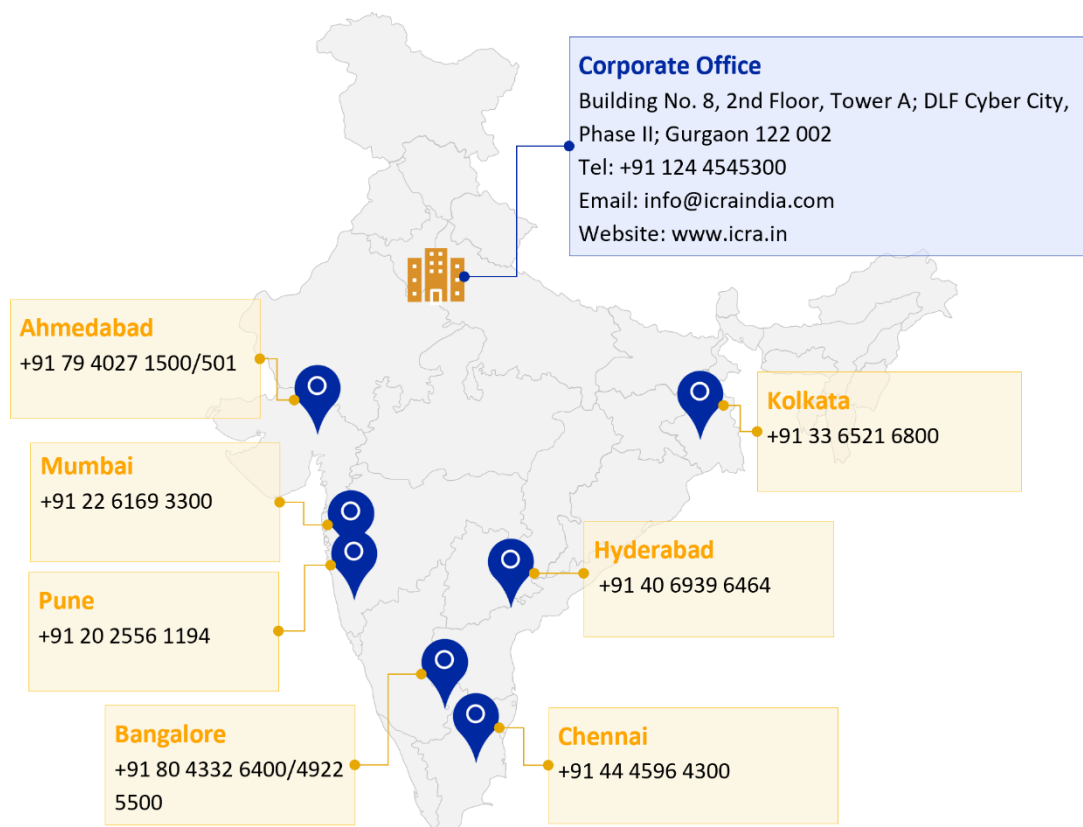


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