July 23, 2026

# 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 | Financial Sector Regulator# |
|---|---|---|---|---|---|
| **REST 12 A** | Series A PTC | 10.50 | 9.00 | [ICRA]A-(SO); provisional rating confirmed as final | SEBI |
| | Series B PTC | 2.10 | 1.80 | [ICRA]BBB-(SO); provisional rating confirmed as final | SEBI |

**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

ICRA had assigned provisional ratings to the pass-through certificates (PTC) issued by REST 12 A 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 financed amount would be Rs. 12.00 crore as compared to the earlier amount of Rs. 14.00 crore, due to revision in the pool size. 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 timely interest and ultimate principal (TIUP), wherein interest is promised on a quarterly basis to the PTC holders and principal (100% of the pool principal billed) is promised on the final maturity date, which is at the end of the 20$^{th}$ 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 11 months and 20 days 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. Quarterly Interest payment is promised to PTC holders during this period as well.

### Amortisation period

Following the replenishment period, the pool collections will be utilised to repay Series A PTC and then Series B PTC. Quarterly interest payments will be made to the investor after every 3, 6 and 9 months. PTC are expected to mature at the end of 12 months and 5 days. There is an additional cushion of Eight months between the expected maturity and legal maturity to factor in delays in payments from the Buyers[1]. The PTC principal is promised at final legal maturity date which is 20 months from the Closing or such time until all REST 12A A and B PTCs are retired.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 6.00% of the initial disbursed amount, i.e. Rs. 0.72 crore, to be provided by the Originator, and (ii) subordination of 25.00% of the eligible finance value of invoices for Series A PTC (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) available for Series B PTC.

### Key eligibility criteria for the receivables

The underlying receivables assigned to the trust will fulfil following criteria-

1. Invoices drawn by the Seller on the Buyer, where the Buyer has accepted his obligation to pay on a due date on a portal or on email, Good received Note with Inspection certificate and gate pass.

2. Client / Borrower should have relationship of at least 6 months with the Buyer and billing should be at least once in every quarter and it should be for the last 3 quarters

3. Any single invoice concentration if more than 3% of pool principal is not acceptable then the originator will replace the same.

4. Single Buyer concentration should not be more than 10% of the pool principal. Two buyers in the pool may have a concentration upto 20% each provided they are rated “A” or better.

5. Buyer should be rated A- (A minus) or better by a rating agency (CRISIL, ICRA, India Ratings, CARE, Infomerics) or should be from Group A. If the buyer is rated, in the BBB range, it would be fully insured by SBI General Insurance except for Cushman & Wakefield India Pvt Ltd and Wellness Forever Medicare Limited in Group A.

6. The maximum concentration of buyers with rating of BBB, BBB+ combined, would be 10% which includes the TReDS assets too.

7. In case of unrated subsidiaries, parent rating would be considered if it is consolidated in the balance sheet. International Rating of subsidiaries of MNC would be considered with a minimum rating of BBB-.

8. Buyer should not be delinquent on any other financial obligations

9. No overdue invoices at the time of initial as well as subsequent assignments during the replenishment period

10. Receivables pertain to Trade Receivables of the originator.

11. Debtors should never have been in 30+ days past due (dpd) during 3 months prior to assignment to the pool prior to assignment Recourse on sellers with PG of promoters/indemnity and UDCs for 100% of pool principal

12. 100% of pool should have escrow collection from buyers and NOA served

13. 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 Buyers. Buyers on TReDs should be as per Group B.

14. No single industry concentration to be more than 30% of the pool principal

15. On average the pool would fund not more than 85% of the total value of the invoices.

16. Buyers with a rating of A- or better may be added to the list of eligible Buyers, so long as all other conditions of the portfolio eligibility criteria are met.

17. Addition of new sellers into the pool so long as the buyers of the new sellers are covered in the above list.

18. A CA certificate would be submitted monthly certifying the compliance with the pool criteria.

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[1] *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*

19. The minimum concentration of buyers with rating of A- and above, would be 90% of the pool.

### 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 the instrument below BBB- or equivalent short-term rating.
- Downgrade of Buyer rating by 2 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 -** 90% of 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, Single Buyer concentration should not be more than 10% of the pool principal. Two buyers in the pool may have a concentration upto 20% each provided they are rated "A" or better,and invoice-level concentration which can be maximum of 3% of the pool.

**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) could be available for Series B PTC. A CC of Rs. 0.72 crore (6.00% of the disbursed amount[2]), to be provided by the originators, would act as further credit enhancement in the transaction. In the event of a shortfall in meeting the promised PTC payouts, the trustee will utilise the CC to meet the same. 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 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.

**Exposed to interest rate risk –** The transaction is exposed to interest rate risk as the underlying pool has fixed rate loans, whereas yield on PTCs is floating (linked to 15-day weighted average overnight MIBOR with quarterly reset).

[2]Disbursed amount for the transaction is Rs. 12 crore, which is arrived at after adjusting for margin and discounting the trade receivables at a rate of 14.0% p.a.p.m.

## 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 12 A |
|---|---|
| **Originator** | Arth Padarth Factors and Finance Private Limited |
| **Servicer** | Arth Padarth Factors and Finance Private Limited |
| **Trustee** | MITCON Credentia Trusteeship Services Limited |
| **CC holding Bank** | ICICI Bank Limited |
| **Collection and payout account Bank** | ICICI Bank Limited |

## Liquidity position: Adequate

As per the transaction structure, the interest is promised on quarterly basis to the PTC holders 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 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 even if there are sustained delays observed in payments by Buyers to Sellers 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

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 (AP Factors)

| As per Ind-AS | FY2023 | FY2024 | FY2025 | FY2026 |
|---|---|---|---|---|
| | Audited | Audited | Audited | Provisional |
| **Total income** | 0.58 | 2.17 | 3.56 | 8.93 |
| **Profit after tax (PAT)** | -1.78 | -0.75 | -0.19 | 0.47 |
| **Gross loan portfolio** | 4.00 | 6.54 | 15.93 | 50.93 |
| **Gross stage 3** | 0.0% | 0.0% | 0.0% | 4.3% |
| **Net stage 3** | 0.0% | 0.0% | 0.0% | 3.8% |

*Amount in Rs. crore*

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

## Any other information: None

## Rating history for past three years

<table>
<tr><th rowspan="3">Trust Name</th><th colspan="5">Current Rating (FY2027)</th><th colspan="3">Chronology of Rating History for the Past 3 Years</th></tr>
<tr><th rowspan="2">Instrument</th><th rowspan="2">Initial Rated Amount (Rs. Crore)</th><th rowspan="2">Current Rated Amount (Rs. Crore)</th><th colspan="2">Date & Rating in FY2027</th><th>Date & Rating in FY2026</th><th>Date & Rating in FY2025</th><th>Date & Rating in FY2024</th></tr>
<tr><th>July 23, 2026</th><th>June 26, 2026</th><th>-</th><th>-</th><th>-</th></tr>
<tr><td rowspan="2">REST 12 A</td><td>Series A PTC</td><td>10.50</td><td>9.00</td><td>[ICRA]A-(SO)</td><td>Provisional [ICRA]A-(SO)</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Series B PTC</td><td>2.10</td><td>1.80</td><td>[ICRA]BBB-(SO)</td><td>Provisional [ICRA]BBB-(SO)</td><td>-</td><td>-</td><td>-</td></tr>
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## Complexity level of the rated instrument

| Instrument | Complexity Indicator |
|---|---|
| **Series A PTC** | Highly complex |
| **Series B 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 No. | Trust Name | Instrument Name | Date of Issuance / Sanction | Coupon Rate (p.a.p.m) | Maturity Date | Current Amount Rated (Rs. crore) | Current Rating | Financial Sector Regulator# |
|---|---|---|---|---|---|---|---|---|
| **INE2XU715019** | **REST 12 A** | Series A PTC | July 17, 2026 | 11.26% | March 17, 2028 | 9.00 | [ICRA]A-(SO) | SEBI |
| **INE2XU715027** | | Series B PTC | July 17, 2026 | 12.75% | March 17, 2028 | 1.80 | [ICRA]BBB-(SO) | SEBI |

*Source: Company*

*#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*

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

Not Applicable

## ANALYST CONTACTS

**Manushree Saggar**
+91 124 4545 316
manushrees@icraindia.com

**Sachin Joglekar**
+91 22 6114 3470
sachin.joglekar@icraindia.com

**Anubhav Agarwal**
+91 22 6114 3439
anubhav.agarwal@icraindia.com

**Priya Bhat**
+91 22 6114 3400
priya.bhat@icraindia.com

**Arijit Datta**
+91 22 6114 3433
arijit.datta@icraindia.com

## RELATIONSHIP CONTACT

**Mr. L. Shivakumar**
+91 22 6114 3406
shivakumar@icraindia.com

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**
Tel: +91 124 4545 860
communications@icraindia.com

## HELPLINE FOR BUSINESS QUERIES

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

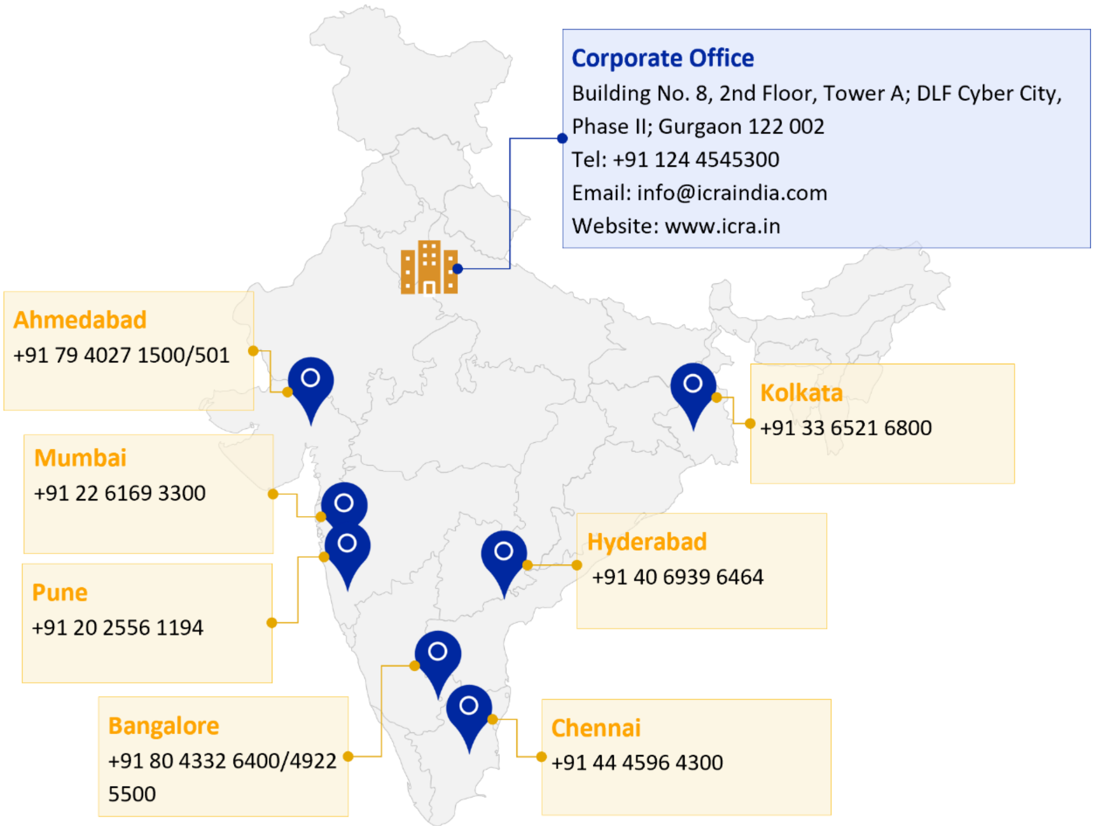
For more information, visit www.icra.in

## ICRA Limited

### Registered Office

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

### Branches



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