July 27, 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 rating exercise (Rs. crore)	Amount O/s after Jun-26 payout (Rs. crore)	Rating action	Financial Sector Regulator#
REST 7	Series A PTC	11.25	9.00	9.00	[ICRA]A-(SO); reaffirmed	SEBI
	Series B PTC	2.25	1.80	1.80	[ICRA]BBB-(SO); reaffirmed	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

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 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 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 A PTC and then Series B PTC. The interest and the 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 the principal (100% of the pool principal billed) for Series B 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[1].

[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

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 on a portal or on email, Good received Note with Inspection certificate and gate pass.
- 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
- Any single invoice concentration if more than 3% of pool principal is not acceptable then the originator will replace the same.
- Single Buyer should not comprise more than 10% of the pool principal.
- Buyer should be rated A- or better by a rating agency (CRISIL, ICRA, India Ratings, CARE, Infomerics). The maximum concentration of A category and unrated buyers would be 30%. 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-.
- Buyer should not be delinquent on any other financial obligations
- No overdue invoices at the time of initial as well as subsequent assignments during the replenishment period
- Receivables pertain to Trade Receivables of the originator.
- 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
- 100 % of pool should have escrow collection from buyers and NOTA served
- 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 rated AAA.
- No single industry concentration to be more than 30% of the pool principal
- On average the pool would fund not 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 A PTC and ~10% for Series B 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 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 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 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 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	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 a 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 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	FY2026
	Audited	Audited	Provisional
Total income	2.17	3.56	8.93
Profit after tax (PAT)	-0.75	-0.19	0.47
Gross loan portfolio	6.54	15.93	50.93
Gross stage 3	0.0%	0.0%	4.3%
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	Current Rating (FY2027)				Chronology of Rating History for the Past 3 Years			
	Instrument	Initial Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Date & Rating in FY2027	Date & Rating in FY2026		Date & Rating in FY2025	Date & Rating in FY2024
				Jul 27, 2026	Jul 09,2025	Apr 15,2025	-	-
REST 7	Series A PTC	11.25	9.00	**[ICRA]A-(SO)**	**[ICRA]A-(SO)**	**Provisional [ICRA]A-(SO)**	-	-
	Series B PTC	2.25	1.80	**[ICRA]BBB-(SO)**	**[ICRA]BBB-(SO)**	**Provisional [ICRA]BBB-(SO)**	-	-

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	Trust Name	Instrument Type	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Current Rated Amount (Rs. crore)	Current Rating	Financial Sector Regulator#
INE25OL15014	**REST 7**	Series A PTC	July 01, 2025	11.00%	March 31, 2027	9.00	[ICRA]A-(SO)	SEBI
INE25OL15022		Series B PTC	July 01, 2025	12.75%	March 31, 2027	1.80	[ICRA]BBB-(SO)	SEBI

Source: Company

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

ANALYST CONTACTS

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

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

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

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

Priya Bhat
+91 22 6114 3400
priya.bhat@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

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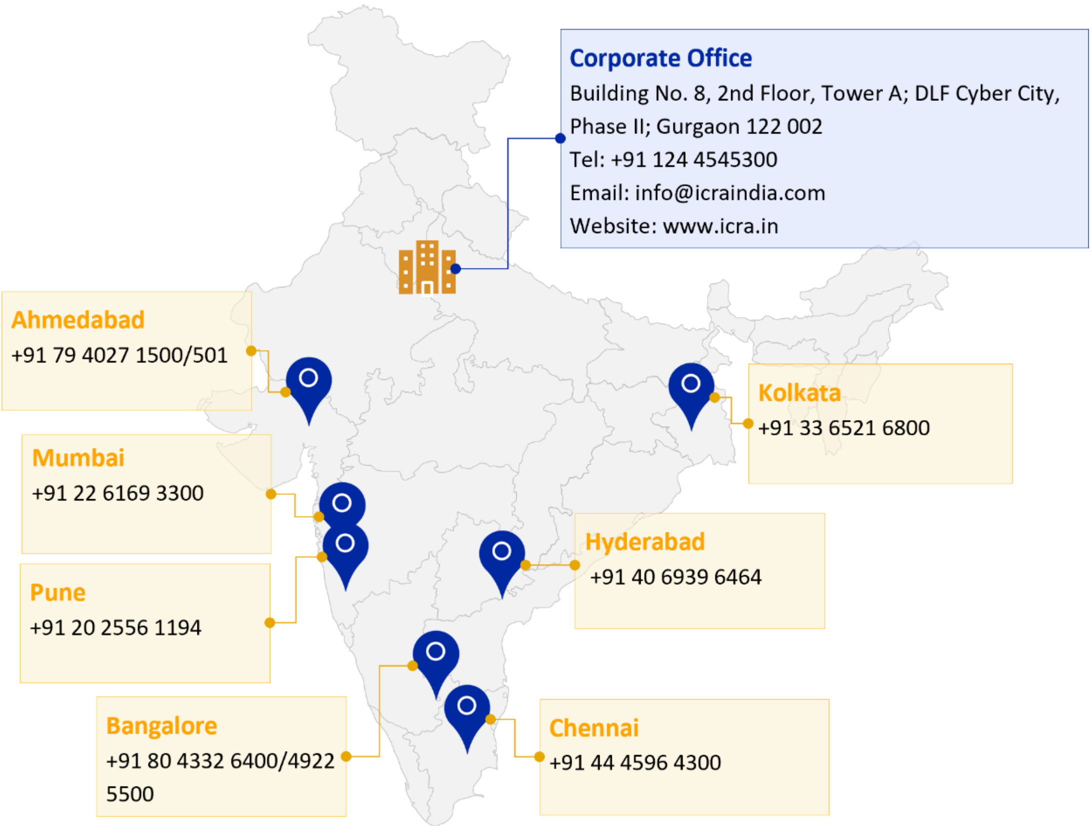
For more information, visit www.icra.in

ICRA Limited

Registered Office

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

Branches



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