

July 12, 2023

## Capital Trust Limited: Ratings withdrawn for PTCs backed by small business loan receivables securitisation transactions

### 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
McMahon 12 2021	PTC Series A1	11.71	1.34	0.00	[ICRA]A-(SO); Withdrawn
Aritra Growth 2	PTC Series A1	9.06	NA	0.00	[ICRA]A-(SO); Withdrawn

\*Instrument details are provided in Annexure I

### Rationale

ICRA has withdrawn the ratings for pass through certificates (PTCs) issued under small business loan receivables securitisation transactions originated by Capital Trust Limited (CTL). All the payouts to the investors in the above-mentioned instruments have been made and no further payments are due to the investors.

The key rating drivers, liquidity position, rating sensitivities have not been captured as the rating assigned to the instruments have been withdrawn. The previous detailed rating rationales of previous rating exercises are available at the following links:

1. McMahon 12 2021: [Click here](#)
2. Aritra Growth 2: [Click here](#)

### Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Policy on Withdrawal of Credit Ratings</a>
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

### About the originator

Capital Trust Limited (CTL) is a Non-Banking Finance Company (NBFC-SI) listed on the Bombay Stock Exchange and the National Stock Exchange. Incorporated in 1985, the company is promoted by Mr. K R. Puri (former Governor, RBI), Mr. R.K. Kaul (former Deputy Governor, RBI) and Justice H. S. Beg (former Chief Justice of India). At the initiation the company were predominantly engaged in providing consultancy services to foreign banks. Subsequently in 2004, the company forayed into two-wheeler financing for 4 years. This was followed with microfinance business till 2012 which was halted due to the RBI guidelines for NBFC MFI entities.

The company changed the business model with priority to MSME (Micro Small Medium Enterprises) lending and focused on the Micro segment of the MSME sector. In 2014, however, after RBI's regulation allowing NBFCs to operate in the microfinance industry as a Business Correspondent of a Bank, CTL joint hands with Yes Bank Limited and started operating in the microfinance sector as their official BC. Owing to this regulation, CTL became one of the only companies in the nation that could operate in both, the MSME and the microfinance sectors.

In March 2016, CTL received an equity investment to the tune of Rs. 65 Crores from Lighthouse Funds through a preferential allotment. In October 2016, CTL acquired Parikarma Investments and Financial Services (a NBFC-MFI) (now called Capital Trust Microfinance) to grow the microfinance portfolio on its own books. Currently, Capital Trust Microfinance, operates as a 100% owned subsidiary of CTL. Thus, disbursements in the Microfinance sector takes places through Capital Trust Microfinance, and

disbursements in the MSME Sector takes place through CTL. As of December 31, 2022, CTL had a portfolio of Rs. 261 crore spread across 291 branches in 10 states and 94 districts.

### Key financial indicators

Capital Trust Limited	FY2021 (Audited)	FY2022 (Audited)	FY2023 (Audited)
Total income	110.3	106.0	86.9
Profit after tax	(23.6)	(10.3)	(45.6)
Gross Assets Under Management	401	301	150
Gross NPA %	4.3%	5.0%	1.0%
Net NPA %	0.0%	0.0%	0.0%

Source: Source: Company data, ICRA Research; Amount in Rs. crore

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

### Any other information: None

### Rating history for past three years

Sr. No.	Trust Name	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years			
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022		Date & Rating in FY2021
1	McMahon 12 2021	PTC Series A1	11.71	0.00	Jul 12, 2023 [ICRA]A-(SO) Withdrawn	Feb 23, 2022 [ICRA]A-(SO)	Mar 14, 2022 <sup>^</sup> [ICRA]BBB+(SO)	Jan 06, 2022* Provisional [ICRA]BBB+(SO)	- -

\*Provisional rating assigned

<sup>^</sup> Provisional rating finalised

Sr. No.	Trust Name	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years			
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	
2	Aritra Growth 2	PTC Series A1	9.06	0.00	Jul 12, 2023 [ICRA]A-(SO) Withdrawn	Oct 28, 2022 <sup>^</sup> [ICRA]A-(SO)	Aug 10, 2022* Provisional [ICRA]A-(SO)	- -	- -

\*Provisional rating assigned

<sup>^</sup> Provisional rating finalised

### Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
McMahon 12 2021	PTC Series A1	Moderately Complex
Aritra Growth 2	PTC Series A1	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, is available on ICRA's website [Click Here](#)

**Annexure I: Instrument details**

Trust Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating
<b>McMahon 12 2021</b>	PTC Series A1	December 2021	13.80%	September 2023	0.00	[ICRA]A-(SO); Withdrawn
<b>Aritra Growth 2</b>	PTC Series A1	August 2022	11.25%	September 2023	0.00	[ICRA]A-(SO); Withdrawn

Source: Company

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

Not Applicable

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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.

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