

October 28, 2024

Aptus Finance India Private Limited : Rating reaffirmed for PTCs backed by a loan against property (SME LAP loans) receivables issued by NIMBUS 2023 Orakei

Summary of rating action

| Trust name | Instrument* | Initial rated amount (Rs. crore) | Amount o/s after last surveillance (Rs. crore) | Amount o/s after Sep-24 payout (Rs. crore) | Rating Action |
|---------------------------|---------------|----------------------------------|--|--|---------------------------|
| NIMBUS 2023 Orakei | Series A1 PTC | 95.62 | - | 64.72 | [ICRA]AA-(SO); Reaffirmed |

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by loan against property (SME LAP loans) receivables originated by Aptus Finance India Private Limited {AFIPL/ Originator; rated [ICRA]AA-(Stable)}.

The rating reaffirmation factors in the build-up of the credit enhancement cover over the future PTC payouts on account of healthy amortisation and pool performance being in line with the expectations. The rating also draws comfort from the fact that the breakeven collection efficiency is lower compared to the actual collection level observed in the pool till the September 2024 payout month.

Pool performance summary

| Parameter | Nimbus Orakei 2023 |
|--|--------------------|
| Payout month | September 2024 |
| Months post securitisation | 14 |
| Pool amortisation (as % of initial pool principal) | 25.37% |
| Series A1 PTC amortisation (as % of initial PTC principal) | 32.32% |
| Cumulative collection efficiency ¹ | 98.94% |
| Average Monthly prepayment rate | 1.15% |
| Loss cum 0+ dpd (% of initial pool principal) ² | 10.68% |
| Loss cum 30+ dpd (% of initial pool principal) ³ | 4.19% |
| Loss cum 90+ dpd (% of initial pool principal) ⁴ | 0.36% |
| Breakeven collection efficiency ⁵ | 56.31% |
| Cumulative cash collateral (CC) utilisation | 0.00% |
| CC available (as % of balance pool) | 10.72% |
| Excess interest spread (EIS) (as % of balance pool) ⁶ | 42.86% |
| Principal subordination (% of balance pool principal) | 14.75% |

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises of the promised interest payment to Series A1 PTC at the predetermined interest rate on the principal outstanding. The principal repayment to Series A1 PTC is promised on the last payout date. Any prepayment in the pool would be used for the prepayment of Series A1 PTC principal.

¹ Cumulative collections / (Cumulative billings + opening overdue at the time of securitization)

² Unbilled and Overdue Principal portion of contracts delinquent for more than 0 days, as a % of Initial Pool Principal

³ Unbilled and Overdue Principal portion of contracts delinquent for more than 30 days, as a % of Initial Pool Principal

⁴ Unbilled and Overdue Principal portion of contracts delinquent for more than 90 days, as a % of Initial Pool Principal

⁵ (Balance Cash flows payable to investor – CC available) / Balance Pool Cash flows

⁶ (Pool Cashflows till PTC maturity month– Cashflows to PTC A1 – originator's residual share)/ Pool Principal outstanding

The first line of support for Series A1 in the transaction is in the form of an OC/subordination of 6.00% of the pool principal. The EIS (48.84% of the pool principal initially, based on the indicated PTC yield, for Series A1 PTC), after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. Additional support for Series A1 PTC in the transaction is available through an unconditional and irrevocable CG from AFIPL, equivalent to 8.00% of the initial pool principal.

Key rating drivers and their description

Credit strengths

Build-up in credit enhancement available in the structure – The rating factors in the build-up in the credit enhancement with cash collateral increasing to 10.2% of the balance pool principal compared to 8 % at time of securitisation. Internal credit support is also available through principal subordination of 14.7% and EIS of 42.9% of the balance pool principal.

Healthy pool performance – The performance of the pool has been in line with the expectations with cumulative collection efficiency of ~98% till September 2024 payouts. Though the pool has reported moderate softer bucket delinquencies with loss-cum-0+ days past due (dpd; as percentage of initial pool principal) of 10.7%, the roll forward into harder buckets has remained limited with loss-cum-90+ dpd below 0.4%. However, the delinquencies in secured business banking portfolio have witnessed an uptick in Q1 FY2025 and remains a monitorable. The break-even collection efficiency of the pool has also declined to 56%, which is a credit positive. Further, there have been no instances of cash collateral utilisation for the pool till date owing to adequate collection performance and presence of EIS in the transaction.

Contracts backed by self-occupied residential properties – A major part of the pool (77% of its contracts in terms of the balance pool principal) is backed by self-occupied 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.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz. Andhra Pradesh, Tamil Nadu and Telangana, contributing 97% to the balance pool principal amount. The pool's performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

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.

Risks associated with lending business – The pool's 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 6.25%, with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 6.0% to 18.0% 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 are as follows:

| Transaction Name | Nimbus Orakei 2023 |
|------------------------------|-------------------------------------|
| Originator | Aptus Finance India Private Limited |
| Investor | DCB Bank |
| Trustee | Catalyst Trusteeship Limited |
| Corporate Guarantee provider | AFIPL |
| CPA bank | ICICI Bank |

Liquidity position: Strong

The liquidity for the PTC instrument is strong after factoring in the credit enhancement available to meet the promised payout to the investors. The total credit enhancement would be ~7.50 times the estimated loss in the pool.

Rating sensitivities

Positive factors – The rating can be upgraded on an improvement in AFIPL’s credit profile along with healthy pool performance.

Negative factors – The sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a rating downgrade. Weakening in the credit profile of the servicer (AFIPL) could also exert pressure on the rating.

Analytical approach

The rating action is based on the analysis of the performance of Aptus Finance India Private Limited portfolio till June 2024, the key characteristics and composition of the current pool, the present delinquency levels, the performance expected over the balance tenure of the pool, and the credit enhancement cover available in the transaction.

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

About the originator

Incorporated in December 2009, Aptus Value Housing Finance India Limited (Aptus) is a housing finance company headquartered in Chennai. Aptus got listed on BSE and NSE with effect from August 24, 2021. The company’s target borrowers are from the low to middle-income segments, with an average ticket size of about Rs. 7-8 lakh. The company’s target geographies are the southern states, with a focus on rural and semi-urban areas. Aptus is largely focused on self-employed customers (about 74% of the total portfolio) without documentary evidence of their income, and limited access to funding from banks and larger HFCs. The company has adequate systems and processes to assess the income of borrowers.

Aptus Finance India Private Limited (AFIPL) is a wholly owned subsidiary of Aptus. AFIPL extends mortgage loans to small and medium enterprises who are largely ignored by the formal financial ecosystem. While the target segment is largely the low income and self-employed category, a centralised credit appraisal mechanism and a conservative loan-to-value (LTV; about 81% of the portfolio had LTV <=50 as on March 31, 2024), underpinned by prudent underwriting policies, mitigate the inherent risks to an extent. Aptus Finance’s AUM was Rs. 2,092.07 crore as on June 31, 2024.

Key financial indicators (standalone)

| | FY2022 | FY2023 | FY2024 | Q1FY2025* |
|--------------------------------|--------|--------|--------|-----------|
| Total income | 143.5 | 167.2 | 323.6 | 104.8 |
| Profit after tax | 62.4 | 79.0 | 129.5 | 44.5 |
| Assets under management | 594 | 688 | 978 | 1,963 |
| Gross NPA | 1.6% | 1.7% | 1.01% | 1.25% |
| CRAR | 41.6% | 39.2% | 28.5% | 29.6% |

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; *provisional numbers

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| S. No. | Trust Name | Instrument | Current Rating (FY2025) | | Chronology of Rating History for the Past 3 Years | | | | |
|--------|---------------------------|---------------|----------------------------------|----------------------------------|---|---------------|---------------------------|---|-------------------------|
| | | | Initial Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Date & Rating in FY2025 | | Date & Rating in FY2024 | | Date & Rating in FY2023 |
| | | | | | Oct 28, 2024 | Oct 26, 2023 | Jul 26, 2023 | - | |
| 1 | Nimbus 2023 Orakei | Series A1 PTC | 95.62 | 64.72 | [ICRA]AA-(SO) | [ICRA]AA-(SO) | Provisional [ICRA]AA-(SO) | - | |

Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|---------------|----------------------|
| Series A1 PTC | 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 are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

| Trust Name | Instrument Type | Date of Issuance/ Sanction | Coupon Rate (p.a.p.m.) | Maturity Date | Current Rated Amount (Rs. crore) | Current Rating |
|-------------------------------|-----------------|-------------------------------|---------------------------|----------------------|--|-------------------|
| Nimbus 2023 Orakei | Series A1 PTC | July 21, 2023 | 8.90% | November 27, 2032 | 64.72 | [ICRA]AA-(SO) |

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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About ICRA Limited:

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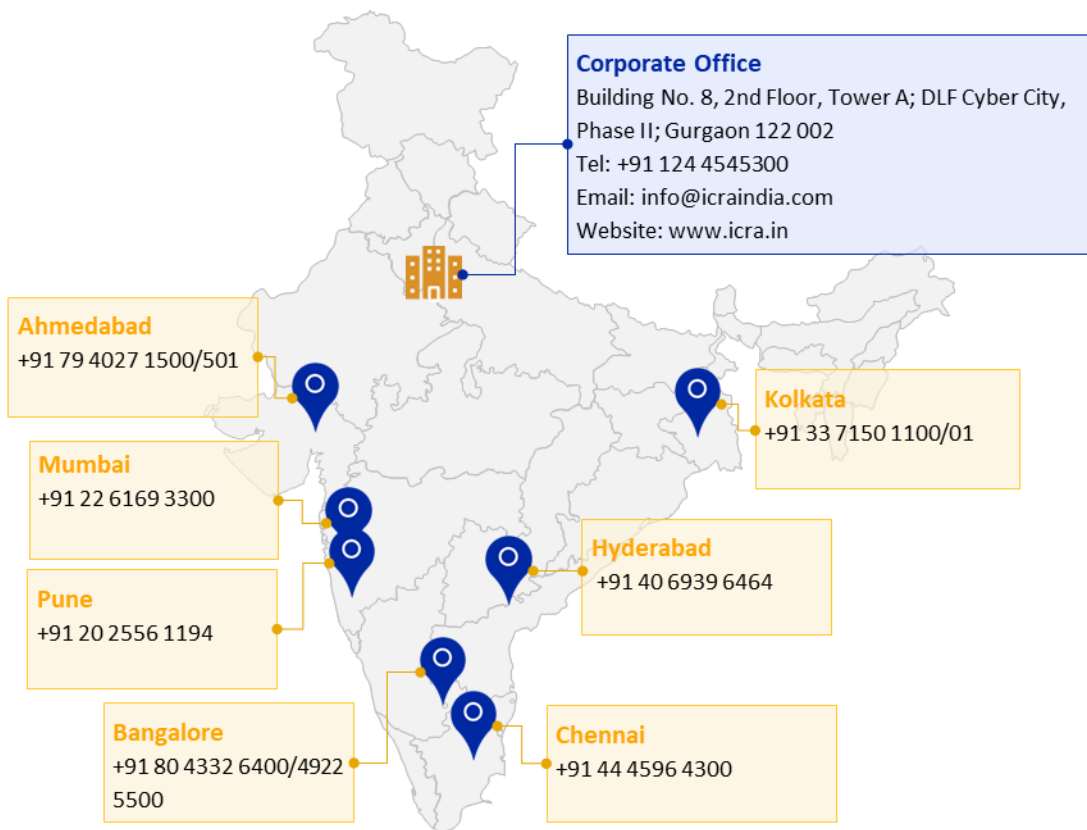
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