

February 24, 2025

Akara Capital Advisors Private Limited: Rating confirmed as final for PTCs backed by personal loan receivables issued by SPIRIT_2024

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
SPIRIT_2024	Series A1 PTC	12.63	[ICRA]A(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

ICRA had assigned provisional rating to the pass-through certificates (PTC) issued by SPIRIT_2024 under a securitisation transaction originated by Akara Capital Advisors Private Limited (ACAPL/Originator; rated [ICRA]BBB(Stable)). The PTCs are backed by personal loan receivables originated by ACAPL with an aggregate principal outstanding of Rs. 14.44 crore (pool receivables of Rs. 18.36 crore). ACAPL is also the servicer of the rated 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 rating has now been confirmed as final.

Pool performance summary

Parameter	Spirit_2024
Payout month	January 2025
Months post securitisation	4
Pool amortisation	30.52%
Series A1 PTC amortisation	34.72%
Cumulative prepayment rate	8.75%
Cumulative collection efficiency ¹	95.14%
Monthly collection	88.67%
Loss-cum 0+ days past due (dpd) ²	5.99%
Loss cum 30+ dpd ³	3.09%
Loss cum 90+ dpd ⁴	0.71%
Cumulative cash collateral utilisation	0.00%

¹ (Cumulative current collections and overdue collections) / (Cumulative billings + Opening overdues at the time of securitisation)

² Unbilled and overdue principal portion of delinquent contracts, 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

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises of 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 excess interest spread (EIS), after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. However, in case of breach of certain predefined triggers, the residual EIS every month shall be utilised for accelerating the principal payment due to PTC Series A. These include current collection efficiency falling below 95% for two consecutive payouts and/or 90+ days past due of the Pool increasing to 5% of the initial pool principal. Any prepayment in the pool would be used for the prepayment of Series A1 PTC principal.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 5.00% of the initial pool principal amounting to Rs. 0.72 crore to be provided by the Originator, (ii) subordination of 12.50% of the initial pool principal for PTC Series A1, and (iii) the EIS of 19.86% of the initial pool principal for PTC Series A1.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The pool is granular, consisting of 11,795 contracts, with top 10 contracts forming only 1.4% of the pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC, subordination and EIS would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts.

No overdue contracts in the pool – The pool has been filtered in such a manner that there are no overdue contracts as on the cut-off date. Further, none of the contracts in the pool have been delinquent post loan disbursement, thereby reflecting the borrowers' relatively better credit profile, which is a credit positive.

Healthy bureau score of borrowers – Around 99% of the pool has a CIBIL score above 700 while none of the contract are new to credit, which reflects their relatively better credit profile.

Adequate servicing capability of ACAPL – The company has adequate processes for servicing the loan accounts in the securitised pools. It has a demonstrated track record of 4.5 years of regular collections and recoveries in the portfolio.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz Maharashtra, Uttar Pradesh and Gujarat, contributing 36% to the initial pool principal amount as on the cut off date. The pool's performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

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. The pool is exposed to the inherent credit risk associated with the unsecured nature of the asset class and that recovery from delinquent contracts tends to be lower.

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 6.75% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 4.8% 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	Spirit_2024
Originator	Akara Capital Advisors Private Limited
Servicer	Akara Capital Advisors Private Limited
Trustee	Catalyst Trusteeship Limited
CC holding bank	ICICI Bank
Collection and payout account bank	ICICI Bank

Liquidity position: Strong

The liquidity for the instruments is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~4.00 times the estimated loss in the pool.

Rating sensitivities

Positive factors – The rating could be upgraded on the strong collection performance of the underlying pool (monthly collection efficiency >95%), on a sustained basis, leading to the build-up of credit enhancement cover for the remaining payouts.

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 could also exert pressure on the rating.

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 for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

Akara Capital Advisors Private Limited (ACAPL) is a Delhi-based non-deposit taking non-banking financial company (NBFC) registered with the Reserve Bank of India (RBI) since 2016. It started operations in 2017. ACAPL primarily provides unsecured short-term personal loans to salaried individuals through web and mobile platforms. It was started by Mr. Tushar Aggarwal and Ms. Shruti Aggarwal, who have several years of experience in the financial services industry.

ACAPL is currently owned (99.99% subsidiary) by Morus Technologies Pte Ltd (MTPL; holding company incorporated in Singapore), a neobanking start-up backed by investors like Tencent, Blowfish Ventures, Divine Blessings, Altara Ventures, Uncorrelated Ventures, etc. In terms of management bandwidth, the company has strengthened the second line of management and hired experienced professionals from the industry. The Group has another wholly-owned subsidiary, EQX Analytics Private Limited (EQXAPL), which provided technological solutions. The technology platform is used by ACAPL and other co-lenders for lending to customers.

Key financial indicators

ACAPL (standalone)	FY2023	FY2024	9M FY2025*
Total income	216	784	536
Profit after tax	8	69	71
Total managed assets	1,871	1,996	1,915
Gross stage 3	6.7%	4.0%	4.0%
CRAR	29.0%	31.7%	33.2%

Source: Company, ICRA Research; Amount in Rs. crore; *Limited Review

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

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	Date & Rating in FY2022
				February 24, 2025	September 30, 2024			
SPIRIT_2024	Series A1 PTC	12.63	12.63	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-	-

Complexity level of the rated instrument

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
SPIRIT_2024	Series A1 PTC	September 27, 2024	13.00%	February 17, 2027	12.63	[ICRA]A(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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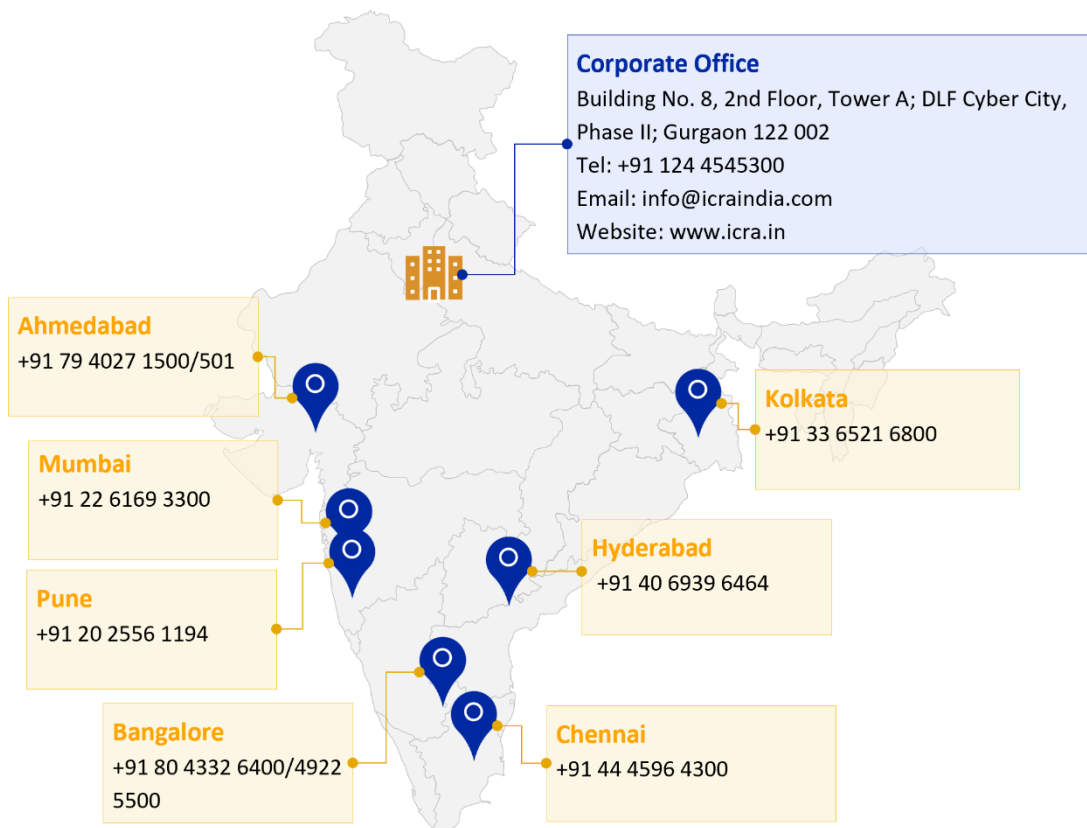
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