



Press Release
ART HOUSING FINANCE INDIA LIMITED - ARTDMI TRUST1
January 04, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Pass Through Certificates (PTCs)	21.32	Provisional ACUITE A- SO Assigned	-
Total Outstanding Quantum (Rs. Cr)	21.32	-	-

Rating Rationale

Acuite has assigned the long term rating of '**ACUITE PROVISIONAL A-(SO)**' (read as **ACUITE Provisional A minus (Structured Obligation)**) to the Pass Through Certificates (PTCs) of Rs. 21.32 Cr. proposed to be issued by ARTDMI TRUST1 (Trust) under a securitisation transaction originated by ART HOUSING FINANCE INDIA LIMITED (AHFIL) (The Originator). The PTCs are backed by a pool of secured housing and non-housing (LAP) loans with principal outstanding of Rs. 25.69 Cr.

The rating addresses the timely payment of interest and principal on monthly payment dates in accordance with the transaction documentation. The transaction is structured at par.

The rating is based on the strength of cash flows from the selected pool of contracts; the credit enhancement is available in the form of

- (i) Subordinated tranche with investment by the originator of 17.00 percent of the pool principal;
- (ii) Cash collateral of 3.00 percent of the pool principal; and
- (iii) Excess Interest Spread of 61.64 percent of the pool principal.

The rating of the PTCs is provisional and shall be converted to final rating subject to the execution of the following documents:

- 1. Trust Deed
- 2. Deed of Assignment
- 3. Servicing Agreement
- 4. Legal Opinion
- 5. Final Term Sheet
- 6. Any other documents relevant to the transaction

About the Originator

Based in New Delhi, Art Housing Finance India Limited was incorporated in 2013. The company is engaged in business of lending home loans for sanitation, home extension, home improvement, construction, and Loan against Property (LAP). Currently the company is managed by Mr. Atul Hasumukhrai Mehta, Mr. Rahul Kumar Pandey, Mr. Shrenik Suresh Shah, Mrs. Ritika Bhatia and Mr. Vipin Jain. The company has presence in 6 states with a branch network of 30 branches as on March 31, 2023.

Assessment of the pool

AHFIL had Assets under management of Rs. 421.3 Cr. as on September 30, 2023. The current pool being securitised comprises 6.1 percent of the total AUM. The underlying pool in the

current Pass Through Certificate (PTC) transaction comprises of housing and LAP loans extended towards 318 borrowers, with an average ticket size of Rs. 9.7 lakhs, minimum ticket

size of Rs. 1.2 lakhs and maximum of Rs. 39 lakhs, indicating moderate granularity. The current average outstanding per borrower stands at Rs. 8.07 lakhs. The weighted average original tenure for the pool is 250 months. The pool has weighted average seasoning of 54.09 months (minimum 13 months seasoning and maximum of 96 months seasoning). Hence, the pool is moderately seasoned. All the loans under the pool are current as on pool cut-off date. The pool's geographical concentration is high. 44.84 percent of the borrowers are concentrated in Gujarat followed by 17.61 percent in Rajasthan. The top 10 borrowers of pool constitute 5.4 percent of the pool principal o/s.

Credit Enhancements (CE)

The rating is based on the strength of cash flows from the selected pool of contracts; the credit enhancement is available in the form of

- (i) Subordinated tranche with investment by the originator of 17.00 percent of the pool principal;
- (ii) Cash collateral of 3.00 percent of the pool principal; and
- (iii) Excess Interest Spread of 61.64 percent of the pool principal.

Transaction Structure

The rating addresses the timely payment of interest and principal on monthly payment dates in accordance with the transaction documentation. The transaction is structured at par.

Assessment of Adequacy of Credit Enhancement (Applicable only for CE & SO Rating)

Acuité has arrived at a base case delinquency estimate of 2.00 percent – 3.00 percent in respect of the loan assets being securitised. Acuité has further applied appropriate stress factors to the base loss figures to arrive at the final loss estimates and consequently the extent of credit enhancement required. The final loss estimates also consider the risk profile of the particular asset class, the borrower strata, economic risks and the demonstrated collection efficiency over the past several months. Acuité has also considered the track record of operations of the originator and certain pool parameters while arriving at the final loss estimate. The PTC payouts will also be supported by internal credit enhancement in the form of subordinated tranche and excess interest spread.

Legal Assessment

The provisional rating is based on a draft term sheet. The conversion of rating from provisional to final, shall include, besides other documents, the legal opinion to the satisfaction of Acuité. The legal opinion shall cover, adherence to RBI guidelines, true sale, constitution of the trust, bankruptcy remoteness and other related aspects.

Key Risks

Counterparty Risks

The pool has average ticket size of Rs. 9.7 lakhs, minimum ticket size of Rs. 1.02 lakhs and maximum of Rs. 39 lakhs. Considering the vulnerable credit profile of the borrowers, the risk of delinquencies/defaults are elevated. These risks of delinquencies are partly mitigated, considering the efficacy of the originator's origination and monitoring procedures.

Concentration Risks

The pool is moderately granular, i.e. underlying assets in the pool are in nature of secured home loans and loan against property extended towards 318 individual borrowers, hence the risk is moderately mitigated. Also, there is considerable geographical concentration in the pool, since 44.84 percent of these borrowers are concentrated in Gujarat followed by 17.61 percent in Rajasthan, which is partially mitigated as the pool is spread across various branches. The top 5 borrowers of pool constitute 5.4 percent of the pool principal O/s.

Servicing Risk

There is limited track record of servicing PTCs, since this one of the initial PTC transactions for the originator. Also, the vintage of the originator in this portfolio is low. Therefore, the servicing

risk for the transaction remains high.

Regulatory Risk

In the event of a regulatory stipulation impacting the bankruptcy remoteness of the structure, the payouts to the PTC holders may be impacted.

Prepayment Risk

The pool is subject to prepayment risks since rate of interest is significantly high and borrowers may be inclined to shift to low cost options (based on availability). Further, the asset class being housing loans, the risk of prepayment remains high. In case of significant prepayments, the PTC holders will be exposed to interest rate risks, since the cash flows from prepayment will have to be deployed at lower interest rates.

Commingling Risk

The transaction is subject to commingling risk since there is a time gap between last collection date and transfer to payout account.

Key Rating sensitivity

If the stress factor for the transaction is increased by 10 percent, the rating of the transaction would not get impacted.

All Covenants (Applicable only for CE & SO Rating)

The following covenant is included in the transaction structure: On each Payout Date the amounts present in the collection and payment account by way of: Proceeds realised by the Trustee from the Receivables in the Collection Period immediately preceding the relevant Payout Date and deposited in the collection and payment account by the Servicer; Any amounts then available in the collection and payment account; and Amounts drawn, to the extent necessary, from the Credit Enhancement and transferred to the collection and payments account in accordance with the Transaction Documents, shall be utilized by the Trustee as per the waterfall mechanism.

All Assumptions

Acuité has arrived at a base case delinquency estimate basis its analysis of the company's historical static pool and further applied appropriate stress factors to the base loss figures to arrive at the final loss estimates. The loss estimate also consider the risk profile of the particular asset class, the borrower strata, economic risks, collection efficiency over the past several months as well as the credit quality of the originator. Acuité also has simulated the potential losses to an extent by applying sensitivity analysis.

Liquidity Position Adequate

The liquidity position in the transaction is adequate. The cash collateral available in the transaction amounts to 3.00 percent of the pool principal. The PTC payouts will also be supported by an internal credit enhancement in the form of subordinated tranche (17 percent of pool principal) and excess interest spread (61.64 percent of pool principal)

Outlook:

Not Applicable

Other Factors Affecting the rating

None

Key Financials - Originator

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	448.63	461.21
Total Income*	Rs. Cr.	60.41	53.48
PAT	Rs. Cr.	21.10	18.39
Net Worth	Rs. Cr.	421.03	436.46
Return on Average Assets			

(RoAA)	(%)	4.64	4.01
Return on Average Net Worth (RoNW)	(%)	4.92	4.31
Debt/Equity	Times	0.05	0.05
Gross NPA	(%)	2.06	2.82
Net NPA	(%)	1.12	1.31

*Total income equals to Net Interest Income plus other income

Any other information

None

Status of disclosure of all relevant information about the Obligation being Rated

Non-public

Supplementary disclosures for Provisional Ratings

Risks associated with the provisional nature of the credit rating

In case there are material changes in the terms of the transaction after the initial assignment of the provisional rating and post the completion of the issuance (corresponding to the part that has been issued) Acuité will withdraw the existing provisional rating and concurrently assign a fresh final rating in the same press release, basis the revised terms of the transaction.

Rating that would have been assigned in absence of the pending steps/ documentation

In the absence of the pending steps/documents the PTC structure would have become null and void, and Acuité would not have assigned any rating.

Timeline for conversion to Final Rating for a debt instrument proposed to be issued

The provisional rating shall be converted into a final rating within 90 days from the date of issuance of the proposed debt instrument. Under no circumstance shall the provisional rating continue upon the expiry of 180 days from the date of issuance of the proposed debt instrument.

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Securitised transactions - <https://www.acuite.in/view-rating-criteria-48.htm>
- Explicit Credit Enhancement - <https://www.acuite.in/view-rating-criteria-49.htm>
- Application of Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Rating History

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Pass Through Certificate	Not Applicable	Not Applicable	Not Applicable	Highly Complex	21.32	Provisional ACUITE A- SO Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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