

August 02, 2022

## Visage Holdings & Finance Pvt. Ltd.: Rating upgraded to [ICRA]BBB(SO) for PTC Series A1 issued under small business loan receivables securitisation transaction

### Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Amount O/s after Jul-22 Payout (Rs. crore)	Rating Action
Northern Arc 2020 SBL Birsa	PTC Series A1	10.15	3.06	0.30	[ICRA]BBB(SO); upgraded from [ICRA]BBB-(SO)

\*Instrument details are provided in Annexure I

### Rationale

The pass-through certificates (PTCs) originated by Visage Holdings & Finance Pvt. Ltd. {VHFPL/Kinara; rated [ICRA]BBB (Stable)} are backed by small business loan receivables. The rating action is driven by the high amortisation of the transaction, resulting in the build-up of the credit enhancement (CE), coupled with an improvement in the credit profile of Kinara<sup>1</sup>, which has provided a corporate guarantee as credit collateral (CC) for the transaction. The credit collateral is more than adequate to cover the future PTC payouts. Thus, the breakeven collection efficiency for the transaction remains nil.

A summary of the performance of the pool after the July 2022 payouts is provided below.

### Pool performance summary

Parameter	Northern Arc 2020 SBL Birsa
Months post securitisation	20
Pool amortisation	89.40%
Cumulative collection efficiency <sup>2</sup>	99.06%
Loss-cum-30+ (% of initial pool principal) <sup>3</sup>	1.30%
Loss-cum-90+ (% of initial pool principal) <sup>4</sup>	1.30%
Cumulative CC utilisation	0.00%
Breakeven collection efficiency	0.00%
CC available (as % of balance pool)	>100.00%

### Key rating drivers

#### Credit strengths

- Significant amortisation of the pool, resulting in CC fully covering the future PTC payouts

#### Credit challenges

- Pool's performance remains exposed to fresh disruptions caused by the Covid-19 pandemic

### Description of key rating drivers highlighted above

<sup>1</sup> ICRA's long-term rating for the debt instruments of Kinara was upgraded to [ICRA]BBB(Stable) from [ICRA]BBB-(Stable) (refer rating rationale [here](#))

<sup>2</sup> Cumulative collections / (Cumulative billings + Opening overdues at the time of securitisation)

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

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

The pool has shown healthy cumulative collection efficiency of ~99% as of the June 2022 collection month (i.e. July 2022 payout month). The loss-cum-90+ days past due (dpd) is also low and stood at 1.30% as of the June 2022 collection month. The breakeven collection efficiency is nil for the transaction. ICRA has also taken note of the high amortisation in the pool (~89%), which has led to the credit collateral covering the entire future PTC payouts, and the improvement in Kinara’s credit profile. Since the CC is in the form of an unfunded CE facility provided by Kinara, this limits the credit rating of the transaction to the current level. ICRA will continue to monitor the performance of the pool and any further rating action will be based on the improvement/deterioration in the credit profile of Kinara.

### Key rating assumptions

ICRA’s cash flow modelling for the surveillance of asset-backed securitisation (ABS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the balance tenor of the pool) and prepayments in the pool. The assumptions for the loss and coefficient of variation (CoV) are arrived at after taking into account the past performance of the originator’s portfolio and the rated pools as well as the performance and characteristics of the specific pool being evaluated. Additionally, the assumptions may be adjusted to factor in the current operating environment and any industry-specific factors that ICRA believes could impact the performance of the underlying pool of contracts.

### Liquidity position: Adequate

As per the transaction structure, only the interest amount is promised to the PTC holders on a monthly basis while the principal amount is promised on the scheduled maturity date of the transaction. The cash flows from the pool and the available CE are expected to be adequate to meet the promised payouts to the PTC Series A1 investors.

### Rating sensitivities

**Positive factors** – The rating could be upgraded on an improvement in the credit profile of Kinara.

**Negative factors** – The rating could be downgraded on a deterioration in the credit profile of Kinara.

### Analytical approach

The rating action is based on the performance of the pool till the June 2022 collection month, the present delinquency levels and the CE available in the pool, and the performance expected over the balance tenure of the pool.

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

### About the company

Visage Holdings & Finance Pvt. Ltd. is a non-deposit taking non-banking financial company (NBFC), incorporated in 1996. The current promoters acquired Kinara in September 2011 and commenced lending operations in November 2011. The company offers credit facilities to small businesses under the brand name Kinara Capital. It provides secured (hypothecation of machinery) and unsecured term loans and working capital facilities with a maximum ticket size of Rs. 30 lakh. Currently, the company operates in six states, namely Karnataka, Maharashtra, Gujarat, Tamil Nadu, Andhra Pradesh and Telangana, with its head office in Bengaluru. As on March 31, 2022, Kinara had 110 branches with assets under management (AUM) of Rs. 1,267.8 crore.

### Key financial indicators (Ind-AS)

	FY2020	FY2021	FY2022
<b>Total income</b>	223.7	233.0	285.9
<b>PAT</b>	18.1	7.5	14.6
<b>Total managed assets</b>	1,069.7	1,237.7	1,799.1
<b>Gross stage 3</b>	6.1%	10.4%*	8.6%
<b>Net stage 3</b>	3.6%	8.2%##	5.9%#

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

\*Gross non-performing assets (NPA), net NPA and Net NPA/Net worth as per Reserve Bank of India (RBI) reporting stood at 5.4%, 3.4% and 13.1%, respectively, as on March 31, 2021

# As of March 31, 2022, the company reported gross stage 3 as NPA. Net NPA, adjusted for the portfolio covered by Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) and Emergency Credit Line Guarantee Scheme (ECLGS), stood at 1.4% as on March 31, 2022 and 1.2% as of March 31, 2021

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

Any other information: None

### Rating history for past three years

Trust Name	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years			
	Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2022	Date & Rating in FY2021		Date & Rating in FY2020
				Aug 02, 2022		Jan 21, 2021	Nov 25, 2020*	
<b>Northern Arc 2020 SBL Birsa</b>	PTC Series A1	10.15	0.30	[ICRA]BBB(SO)	[ICRA]BBB-(SO)	[ICRA]BBB-(SO)	Provisional [ICRA]BBB-(SO)	--

\*Initial rating assigned

### Complexity level of the rated instruments

Trust Name	Instrument	Complexity Indicator
<b>Northern Arc 2020 SBL Birsa</b>	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 are available on ICRA's website: [www.icra.in](http://www.icra.in)

**Annexure I: Instrument details**

Trust Name	Instrument Type	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
<b>Northern Arc 2020 SBL Birsa</b>	PTC Series A1	November 2020	12.75%	February 2023	0.30	[ICRA]BBB(SO)

\*Scheduled maturity at transaction initiation; may change on account of prepayments in the underlying pools

Source: Company

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

Not Applicable

## ANALYST CONTACTS

**Abhishek Dafria**  
+91 22 6114 3440  
[abhishek.dafria@icraindia.com](mailto:abhishek.dafria@icraindia.com)

**Samriddhi Chowdhary**  
+91 22 6114 3462  
[samriddhi.chowdhary@icraindia.com](mailto:samriddhi.chowdhary@icraindia.com)

**Sohil Mehta**  
+91 22 6114 3449  
[sohil.mehta@icraindia.com](mailto:sohil.mehta@icraindia.com)

**Palak Bhatt**  
+91 22 6114 3450  
[palak.bhatt@icraindia.com](mailto:palak.bhatt@icraindia.com)

**Rushabh Gohel**  
+91 22 6114 3434  
[rushabh.gohel@icraindia.com](mailto:rushabh.gohel@icraindia.com)

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**  
+91 80 4332 6401  
[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



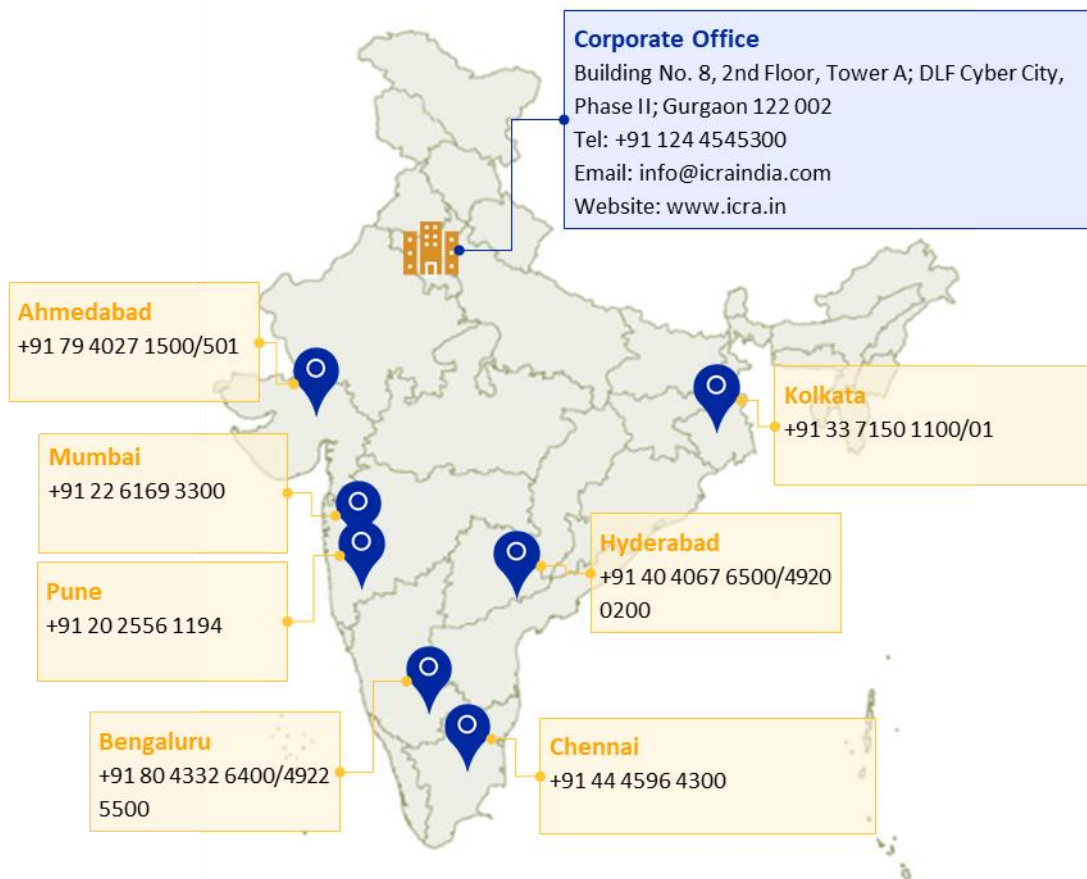
### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



© Copyright, 2022 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.