

October 17, 2022

Vivriti Capital Private Limited: Rating reaffirmed for PTCs issued under multi-originator microloan securitisation transaction arranged by Vivriti Capital Private Limited

Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Vivriti CABSEC 009 2019	PTC Series A1	52.63	0.66	0.58	[ICRA]D(SO); reaffirmed
	PTC Series A2	3.90	3.90	3.90	[ICRA]D(SO); reaffirmed

*Instrument details are provided in Annexure I

Rationale

ICRA has reaffirmed the rating outstanding on the pass-through certificates (PTCs) issued by Vivriti CABSEC 009 2019 Trust under a securitisation transaction originated by multiple originators and arranged by Vivriti Capital Private Limited (Vivriti). The rating reflects the inadequacy of the collections and the available credit enhancement for meeting the promised payouts to the PTC investors on the scheduled maturity date. The incremental collections in the pool have remained low and the PTCs remain in default.

Pool performance summary

A summary of the performance of the pool till the September 2022 payout month has been tabulated below.

Parameter	Vivriti CABSEC 009 2019
Months post securitisation	33
Pool amortisation	100.0%
PTC A1 amortisation	98.9%
PTC A2 amortisation	NIL
Cumulative FLCE utilisation for Sambandh	100.0%

Key rating drivers

Credit strengths

- Not applicable

Credit challenges

- Delays in meeting PTC payouts on scheduled maturity owing to significant shortfall in pool collections

Description of key rating drivers highlighted above

The transaction was backed by the microfinance loan receivables originated by four originators, namely Digamber Capfin Limited (Digamber), M Power Micro Finance Private Limited (M Power), Sambandh Finserve Private Limited (Sambandh), and Inditrade Microfinance Limited (Inditrade). Each originator had provided a first loss credit enhancement (FLCE/cash collateral) to the extent of 5.0% of the initial principal outstanding. As per the transaction structure, the FLCE (kept in the form of a fixed deposit; FD) provided by each originator could be used to make good the losses incurred on account of the pool of that originator only and not for meeting the losses incurred on account of any other originator.

The sub-pools of Digamber, M Power and Inditrade registered adequate collections and the PTC liabilities of these entities were fully met by the scheduled maturity date. The performance of Sambandh's sub-pool, however, was weaker than

expected, and the collections and the FLCE remained inadequate for meeting the promised payouts to the PTC investors on the scheduled maturity date of October 22, 2021. Following reports of internal fraudulent business practices and default on its repayment obligations on various debt instruments in October 2020, the lenders of Sambandh appointed another entity as the collection agency. Incremental collections, however, remain low, and the PTCs remain in default.

Key rating assumptions

Not applicable

Liquidity position: Poor

The cash collateral available in the transaction has been completely utilised as of the scheduled maturity date. Further payouts to the PTC investors are to be met through collections from the overdue loan contracts in the underlying pool. Considering the collection trend in recent months, full repayment of the PTCs is unlikely in the near to medium term. Hence, liquidity is considered to be poor for both tranches.

Rating sensitivities

Positive/Negative factors – Not applicable

Analytical approach

The rating action is based on the performance of the pool till September 2022 (payout month), the present delinquency levels and the credit enhancement available in the pool, and the performance expected over the balance tenure of the pool.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions Policy on Default Recognition
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

About the company

Sambandh Finserve Private Limited

Sambandh Finserve Private Limited (erstwhile Modline Build-cap Private Limited) was incorporated in July 1996. The microfinance activities were started by the company's promoters in 2006 as a project under the Regional Rural Development Centre (RRDC). It converted into a non-banking financial company (NBFC) in 2009 and secured an NBFC-microfinance institution (NBFC-MFI) licence from the Reserve Bank of India (RBI) in 2013. Its corporate and registered offices are in Rajgangpur, Odisha.

Sambandh primarily offers microfinance loans under the joint liability as well as self-help group models for income generation. As per available information, at the end of March 2020, Sambandh had total reported assets under management (AUM) of Rs. 461 crore and it reported a profit after tax (PAT) of Rs. 5.22 crore. It had gross non-performing advances (NPAs) of 0.67% and a total capital adequacy ratio (CAR) of 21.5%.

However, the board received complaints from the senior management personnel about the AUM being deliberately inflated, fake clients and siphoning and diversion of the company's funds. The board appointed Ernst & Young (E&Y) to undertake a forensic audit of the company. Moreover, with the approval of the lenders, it appointed Mr. Anand Charan Sahu, a retired general manager of Small Industries Development Bank of India (SIDBI), as the administrator from November 6, 2020. Sambandh executed a collection agreement with New Opportunity Consultancy Pvt. Ltd. (NOCPL) on November 13, 2020.

Key financial indicators: Not available

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Trust Name	Instrument	Current Rating (FY2023)		Chronology of Rating History for the Past 3 Years						
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date and Rating in FY2023	Date and Rating in FY2022		Date and Rating in FY2021		Date and Rating in FY2020	
				Oct 17, 2022	Oct 25, 2021	Jun 04, 2021	Oct 21, 2020	Jun 02, 2020	Jan 07, 2020	
1 Vivriti CABSEC 009 2019	PTC Series A1	52.63	0.58	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]B-(SO)	[ICRA]B(SO)@	[ICRA]A-(SO)		Provisional [ICRA]A-(SO)
	PTC Series A2	3.90	3.90	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]C(SO)	[ICRA]B(SO)@	[ICRA]BBB-(SO)		Provisional [ICRA]BBB-(SO)

@ Under Watch with Negative Implications

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Vivriti CABSEC 009 2019	PTC Series A1	Moderately Complex
	PTC Series A2	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

Annexure I: Instrument details

Trust Name	Instrument Type	Date of Issuance	Coupon Rate	Initial Final Maturity Date	Amount Rated (Rs. crore)	Current Rating
Vivriti CABSEC 009 2019	PTC Series A1	December 2019	10.50%	October 2021	0.58	[ICRA]D(SO)
	PTC Series A2		15.00%		3.90	[ICRA]D(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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