

December 23, 2022

## Vivriti Capital Private Limited: Ratings reaffirmed/assigned for enhanced limits

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Market linked debentures (MLD)	75.65	75.65	PP-MLD[ICRA]A (Stable); reaffirmed
	5.35	0.00	PP-MLD[ICRA]A (Stable); reaffirmed and withdrawn
Non-convertible debentures (NCDs)	348.00	348.00	[ICRA]A (Stable); reaffirmed
	90.00	0.00	[ICRA]A (Stable); reaffirmed and withdrawn
Long term – Fund-based CC	55.00	55.00	[ICRA]A (Stable); reaffirmed
Long term – Fund based Term loans	1,045.00	2,045.00	[ICRA]A (Stable); reaffirmed/assigned for enhanced limits
MLD	175.00	175.00	PP-MLD [ICRA]AA+(CE) (Stable); outstanding
<b>Total</b>	<b>1,794.00</b>	<b>2698.65</b>	

\* Instrument details are provided in Annexure I; For the credit enhanced ratings of the entity, refer to the rationales given under the structured finance section [here](#). The letters, PP-MLD, prefixed to a rating symbol stand for principal protected market linked debentures. According to the terms of the rated instrument, the amount invested, i.e. the principal, is protected against erosion while the returns on the investment could vary, being linked to movements in one or more variables such as equity indices, commodity prices, and/or foreign exchange rates. The rating assigned expresses ICRA's current opinion on the credit risk associated with the issuer concerned. The rating does not address the risks associated with the variability in returns resulting from adverse movements in the variable(s) concerned.

### Rationale

The rating action takes into consideration the continued improvement in Vivriti Capital Private Limited's scale of operations and its earnings performance. Its assets under management (AUM) increased to Rs. 4,708 crore in September 2022 from Rs. 3,880 crore in March 2022 (Rs. 1,905 crore in March 2021), supported by co-lending and the non-financial enterprises segment. Moreover, its return on average managed assets improved to 2.4% in H1 FY2023 from 1.9% in FY2022, supported by lower credit costs. ICRA, however, notes the pressure on the company's margins; sustained performance in the increasing interest rate environment would be key from an earnings perspective.

Vivriti has steep growth plans with the AUM expected to grow at a cumulative average growth rate (CAGR) of about 50% over the next two years. It raised equity of about Rs. 537 crore over FY2022 and Q1 FY2023, which has helped it keep its capital profile under control even as the AUM expanded at a steep rate. The company has raised a total of Rs. 1,297 crore since its incorporation in 2018. Considering the growth plans, Vivriti would be required to raise capital regularly, going forward, as it intends to keep its managed gearing below 4x. Vivriti's liquidity profile is adequate at present and it has been able to improve its lender base significantly in the recent past.

The ratings also take into consideration Vivriti's exposure to borrowers with a moderate risk profile. However, portfolio concentration has moderated with the top 20 exposures reducing to 26% of the AUM in March 2022 from 29% in March 2021 (42% in March 2020). The concentration is envisaged to decline further, going forward. Vivriti's credit exposures are largely to small and mid-sized non-banking financial companies (NBFCs) and enterprises (other than financial sector entities). Vivriti has maintained a healthy asset quality with gross stage 3 of 0.2% as of September 2022 (0.3% as of March 2022). ICRA also takes note of the steady increase in the share of non-financial enterprises and retail (via co-lending arrangements and direct assignment (DA) transactions) in the overall AUM; the performance of the exposures to non-financial enterprises would remain a monitorable.

ICRA has reaffirmed and withdrawn the long-term ratings on the Rs. 90.00-crore non-convertible debentures (NCDs) and Rs. 5.35-crore market linked debentures (MLD), in accordance with its policy on the withdrawal of credit ratings, as the instruments have matured and have been fully repaid.

## Key rating drivers and their description

### Credit strengths

**Improving scale of operations** – Vivriti has scaled up its AUM since the start of operations in FY2018 and it reached an AUM of Rs. 4,708 crore as of September 2022 (Rs. 4,502 crore; excluding the trading book<sup>1</sup>). The AUM consists of exposures to financial service entities (~37% as of September 30, 2022), followed by non-financial enterprises finance (~26%), co-lending, pass-through certificates (PTC) and DA (~33%) and supply chain finance (SCF; ~4%). Among segment-wise exposure to entities, small business loan financing is the largest, contributing 19% (18% in March 2021) to the AUM as of September 30, 2022 followed by microfinance institution (MFI) financing at 12% (17% in March 2021). Going forward, the company is expected to reduce the share of its exposure to financial services entities further with increasing focus on the non-financial enterprises segment. The performance of the exposures in these segments would, however, remain a monitorable from a rating perspective.

Total non-retail exposures had increased to 208 entities in March 2022 from 148 in March 2021 and 122 in March 2020, which led to a reduction in the portfolio concentration in the recent past. The company's exposure to guarantees was modest at less than 1% while exposures to PTCs decreased to 6% as of September 2022 from 8% as of March 2022. Going forward, the exposures to guarantees and subordinated PTC investments are likely to remain restricted. Vivriti also expects to increase the share of SCF and the retail book, driven by co-lending (secured by first loss default guarantee) partnerships, in the near term.

**Capital profile supported by regular infusions** – Vivriti's capitalisation profile is characterised by a managed gearing<sup>2</sup> of 2.7x as of September 2022, improving from 3.0x as of March 2022, supported by the capital infusion of Rs. 220 crore from TVS Shriram Growth Fund (new investor) in May 2022. Vivriti had raised Rs. 317 crore of capital from its existing investors in FY2022 (March 2022), Rs. 310 crore from Creation Investments LLC (Creations) during January-May 2019, Rs. 350 crore from LGT Lightstone in March 2020 and a further Rs. 100 crore from Creations in FY2021. ICRA expects the capital raised till date to be sufficient for the envisaged growth in FY2023. Vivriti Asset Management Private Limited (VAM) also raised Rs. 77 crore from investors in FY2022 and Q1 FY2023 for its sponsor requirements. Vivriti intends to maintain the gearing below 4x while embarking on a steep growth plan over the medium term. As such, its ability to obtain equity in a timely manner would be crucial, apart from securing commensurate funding lines, to grow the portfolio as envisaged.

**Improving net profitability; managing interest margins would be key monitorable** – Vivriti's net profitability improved to 2.4% in H1 FY2023 from 1.9% (2.0%, adjusted for the impact of the capital raised in March 2022) in FY2022 (1.0% in FY2020), mainly driven by the reduction in credit costs. Vivriti's operating costs reduced to 1.4% in H1 FY2023 and 1.3% in FY2022 from 3.2% in FY2021 after hiving off its origination tech platform business into a separate entity. Provision & credit costs declined to -0.04% in H1 FY2023 from 0.4% in FY2022 and 1.6% in FY2021 backed by lower delinquencies. However, ICRA notes that the interest spreads have not improved in line with the increase in the AUM, given the competitive pressure amidst the increase in the cost of funds in H1 FY2023. Going forward, its ability to maintain stability in margins, given the expected increase in the cost of funds, would be a key monitorable.

VAM reported a net loss of Rs. 25.8 crore in FY2022 compared to a loss of Rs. 5.8 crore in FY2021 because of the shares issued to the promoters (amounting to Rs. 21.7 crore) in lieu of their remuneration. The loss before this exceptional item and tax had narrowed down in FY2022 to Rs. 5.5 crore vis-à-vis the loss before tax of Rs. 7.7 crore in FY2021. ICRA expects minimal funding

<sup>1</sup> Vivriti invests in debt securities (including market linked debentures) for a short duration (about 15-60 days), based on its liquidity and available investment opportunity

<sup>2</sup> (Total debt including guarantee/net worth)

support from Vivriti to VAM in the near term. VAM's ability to generate sufficient internal capital would be crucial, going forward.

### Credit challenges

**Steep growth plans** – Vivriti has a limited track record as it commenced operations in June 2017. It received its NBFC licence in January 2018. Its AUM had grown to Rs. 4,708 crore as of September 2022 from Rs. 3,880 crore as of March 31, 2022 (Rs. 1,905 crore as of March 2021). ICRA notes that the majority of Vivriti's exposures have an original tenor of less than three years and are monthly amortising in nature.

Vivriti is expected to grow its AUM at a CAGR of around 50% over the next two years. The growth is expected to be supported by increasing diversification into the non-financial enterprises segment and retail exposures via co-lending partnerships. Notwithstanding, Vivriti's ability to continue strengthening its operational and infrastructure requirements would be critical for sustaining the high growth rate while maintaining its healthy asset quality position amidst the increasing competitive environment.

**Exposure to borrowers with moderate risk profile; increase in share of enterprise (non-financial sector) exposures a monitorable** – Vivriti's credit exposures are predominantly to small and mid-sized NBFCs and corporates with moderate risk profiles. About 16% (not including co-lending, DA, PTC and SCF) of the AUM, as of September 2022, was towards entities that are not rated, down from about 26% in September 2021 (29% in March 2021). ICRA notes the steady increase in the share of non-financial enterprises finance in the overall AUM to ~29% (including SCF) in September 2022 from 14% in March 2020. As the company has a relatively modest track record in the enterprise segment vis-à-vis NBFCs and given its intention to increase its share further in this segment, the performance of this segment would remain a monitorable. The company has set up a separate team to scale up the portfolio in the enterprise segment.

ICRA, however, notes the moderation in the concentration of exposures with the top 20 exposures accounting for about 26% of the AUM as of March 2022 (reducing from 29% as of March 2021) vis-à-vis 42% as of March 2020. Further, the increasing share of the co-lending segment (23% as of September 2022) provides diversification benefits, supporting Vivriti's risk profile to an extent. Going forward, Vivriti's ability to reduce the concentration of its top exposures as per its envisaged plan would remain key from a rating perspective.

As of September 30, 2022, the company had 30+ days past due (dpd) of 0.4% of the AUM (0.7% as of March 2022) and the gross stage 3 assets stood at 0.2% (0.3% as of March 2022), though the same was largely provided for. The impact of the IRAC norms, which are applicable from October 2022, is envisaged to be minimal on Vivriti's asset quality. Further, the company has not undertaken any restructurings till date. Vivriti carried provisions of 0.6% of the AUM as of September 30, 2022 (0.8% and 1.5% as of March 31, 2022 and March 31, 2021, respectively). Going forward, the ability to keep the credit costs under control, considering the wholesale nature of the exposures and the growth perspective, would be key from a rating perspective.

### Liquidity position: Adequate

The company had Rs. 396.0 crore of cash and cash equivalents and Rs. 225.0 crore of undrawn bank lines as of October 31, 2022 against debt obligations of Rs. 618.3 crore during November 2022-January 2023. The asset-liability maturity (ALM) profile, as of September 2022, reflected positive cumulative mismatches across all buckets. The liquidity profile also draws comfort from the collection efficiency, which stood at 98% in H1 FY2023. Vivriti has about 52 lenders with banks comprising ~45% of the overall borrowings followed by NBFCs (~20%); private wealth managers, mutual funds and other foreign investors accounted for the balance.

## Rating sensitivities

**Positive factors** – ICRA could upgrade the ratings if the company improves its earnings profile significantly and keeps a tight control over its delinquencies. A sustained reduction in its exposure concentration could also positively impact the ratings.

**Negative factors** – ICRA could downgrade the ratings or revise the outlook to Negative if there is a deterioration in the asset quality (90+ dpd/AUM beyond 3%), thereby impacting the earnings performance on a sustained basis. A sustained weakening in the capital (net worth/AUM below 20%) or liquidity profile would also impact the ratings.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">ICRA's Credit Rating Methodology for Non-banking Finance Companies</a> <a href="#">Rating Approach – Consolidation</a> <a href="#">ICRA's Policy on Withdrawal of Credit Ratings</a>
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of Vivriti. However, in line with ICRA's limited consolidation approach, the funding requirement of its subsidiary (VAM), if any, going forward, has been factored in.

## About the company

Vivriti Capital Private Limited is a registered non-deposit taking systemically important non-banking financial company (NBFC-ND-SI). Promoted by Mr. Vineet Sukumar and Mr. Gaurav Kumar in June 2017, Vivriti provides diverse debt financing solutions including loans, working capital finance and trade finance to NBFCs and other enterprises. It has also started expanding its presence in the retail segment through various co-lending partnerships with other NBFCs.

In H1 FY2023, Vivriti reported a net profit of Rs. 61.5 crore on a standalone basis on total managed assets of Rs. 5,578.7 crore while it reported a net profit of Rs. 67.4 crore on total managed assets of Rs. 4,824.4 crore in FY2022.

Vivriti has a subsidiary, VAM, which manages alternative investment funds (AIFs). VAM manages seven funds with a combined AUM of Rs. 1,676.7 crore as on March 31, 2022. In Q3 FY2021, Vivriti demerged its technology platform into a subsidiary company, CredAvenue Private Limited (CAPL). CAPL raised its first round of capital of Rs. 661 crore from various private equity investors including Lightspeed, Lightrock, TVS Capital, etc, in September 2021. On the basis of the shareholders' agreement, Vivriti did not retain control over CAPL, which became an associate of the company from September 2021. Vivriti continues to originate a minor portion of its business through the syndication platform operated by CAPL.

## Key financial indicators (audited) – IndAS

Vivriti Capital Private Limited (standalone)	FY2021	FY2022	H1 FY2023 (P)
Total income	225.1	351.7	287.3
Profit after tax	30.0	67.4	61.5
Net worth	797.1	1,196.2	1,483.4
AUM	1,905	3,880	4,708
Total managed assets	2,244.6	4,824.4	5,578.7
RoMA	1.6%	1.9%	2.4%
Return on net worth	4.1%	6.8%#	9.2%
Gearing (times)	1.7	3.0*	2.7
Gross NPA	0.3%	0.3%	0.2%
Net NPA	0.0%	0.07%	0.05%
CRAR	40.3%	29.57%	29.78%

Source: Company, ICRA Research; # Net worth including equity raised in March 2022; \*Gearing was 2.76x as per the audited financial statements (calculated excluding bank overdrafts and unamortised issue expenses)

Amount in Rs. crore

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

## Any other information: None

## Rating history for past three years

S. No.	Instrument	Type	Current Rating (FY2023)		Chronology of Rating History for the Past 3 Years						
			Amount Rated	Amount Outstanding	Date & Rating in FY2023		Date & Rating in FY2022		Date & Rating in FY2021	Date & Rating in FY2020	
			(Rs. crore)	(Rs. crore)	Dec-23-2022	Jul-01-2022	Dec-22-2021	Aug-03-2021	Mar-19-2021	Feb-17-2020	Jul-04-2019
1	NCD	Long term	348.00	348.00	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)
2	NCD	Long term	90.00	0.00	[ICRA]A (Stable); withdrawn	[ICRA]A (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)
3	MLD	Long term	75.65	75.65	PP-MLD[ICRA]A (Stable)	PP-MLD[ICRA]A (Stable)	PP-MLD[ICRA]A- (Positive)	PP-MLD[ICRA]A- (Stable)	PP-MLD[ICRA]A- (Stable)	PP-MLD[ICRA]A- (Stable)	PP-MLD[ICRA]A- (Stable)
4	MLD	Long term	5.35	0.00	PP-MLD[ICRA]A (Stable); withdrawn	PP-MLD[ICRA]A (Stable)	PP-MLD[ICRA]A- (Positive)	PP-MLD[ICRA]A- (Stable)	PP-MLD[ICRA]A- (Stable)	PP-MLD[ICRA]A- (Stable)	PP-MLD[ICRA]A- (Stable)
5	Long-term fund-based CC	Long term	55.00	55.00	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)
6	Long-term fund-based TL	Long term	2,045.00	2,045.00	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)
7	Long term – Unallocated	Long term	0.00	0.00	-	-	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)

- For the credit enhanced ratings of the entity, refer to the rationales given under the structured finance section [here](#)

## Complexity level of the rated instrument

Instrument	Complexity Indicator
Market linked debenture	Moderately Complex
Non-convertible debenture	Simple
Long-term fund-based CC	Simple
Long-term fund-based TL	Simple

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

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long term - Term loans	Mar-19-2021	NA	Oct-31-2025	2,045.00	[ICRA]A (Stable)
NA	Long-term fund-based CC	NA	NA	NA	55.00	[ICRA]A (Stable)
INE01HV07148	NCD	Feb-02-2021	10.57%	Feb-02-2024	10.00	[ICRA]A (Stable)
INE01HV07031	NCD	Aug-16-2019	11.50%	Aug-16-2021	10.00	[ICRA]A (Stable); withdrawn
INE01HV07049	NCD	Aug-26-2019	12.12%	Aug-26-2022*	20.00	[ICRA]A (Stable)
INE01HV07114	NCD	Dec-16-2020	10.00%	Jun-16-2022	40.00	[ICRA]A (Stable); withdrawn
INE01HV07122	NCD	Dec-31-2020	10.25%	Jun-30-2022*	20.00	[ICRA]A (Stable)
INE01HV07148	NCD	Feb-10-2021	10.57%	Feb-10-2024	10.00	[ICRA]A (Stable)
INE01HV07163	NCD	Mar-18-2021	11.25%	Jul-25-2022	40.00	[ICRA]A (Stable); withdrawn
INE01HV07189	NCD	May-25-2021	10.50%	Aug-25-2022*	30.00	[ICRA]A (Stable)
INE01HV07288	NCD	Mar-31-2022	3M T-Bill Linked	Sep-30-2024	50.00	[ICRA]A (Stable)
Unutilised	NCD	NA	NA	NA	208.00	[ICRA]A (Stable)
INE01HV07064	MLD	Feb-13-2020	NIFTY LINKED	Aug-13-2021	5.35	PP-MLD[ICRA]A (Stable); withdrawn
INE01HV07106	MLD	Nov-27-2020	NIFTY LINKED	Nov-27-2022*	10.00	PP-MLD[ICRA]A (Stable)
Unutilised	MLD	NA	NA	NA	65.65	PP-MLD[ICRA]A (Stable)

Source: Company

\*ICRA is awaiting the relevant documentation from the company on these recently matured securities for the withdrawal of the ratings outstanding

[Please click here to view details of lender-wise facilities rated by ICRA](#)

## Annexure II: List of entities considered for limited consolidated analysis

Company Name	Vivriti Ownership	Consolidation Approach
Vivriti Asset Management Private Limited	66.66%	Limited Consolidation

Source: Company

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