

January 27, 2023

Vivriti Capital Private Limited: Ratings reaffirmed/withdrawn for market linked debentures

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debenture programme – Market linked debentures	100.00	0.00	PP-MLD[ICRA]AA+(CE) (Stable); withdrawn
MLDs	75.00	75.00	PP-MLD[ICRA]AA+(CE) (Stable); reaffirmed
MLDs	75.65	75.65	PP-MLD[ICRA]A (Stable); outstanding
NCDs	348.00	348.00	[ICRA]A (Stable); outstanding
Long Term – Fund based CC	55.00	55.00	[ICRA]A (Stable); outstanding
Long Term – Term loans	2,045.00	2,045.00	[ICRA]A (Stable); outstanding
Total	2,698.65	2,598.65	

Rating Without Explicit Credit Enhancement

[ICRA]A

*Instrument details are provided in Annexure-I

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement. 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 variability in returns resulting from adverse movements in the variable(s) concerned

Rationale

The rating reaffirmation for the market linked non-convertible debentures (MLDs) (Trust name: Credavenue Modric Trust 2021) takes into account the structural features available in the transaction such that in the event of non-payment of its expected repayments by Vivriti Capital Private Limited (VCPL), the cover pool would be utilised to support the servicing of the rated instrument.

The ratings assigned to the MLD programme of VCPL has been withdrawn as the MLDs (Trust name: Credavenue Roddick Trust 2021 and Credavenue Alfea Trust 2021) have matured and no dues are remaining against the MLDs. the withdrawal of ratings is in accordance with ICRA's policy on withdrawal of credit rating.

For the instruments under trust names Credavenue Roddick Trust 2021 and Credavenue Alfea Trust 2021, the key rating drivers, liquidity position, rating sensitivities have not been captured as the rating assigned to the instruments have been withdrawn.

The key structural features of the rated instruments are summarised below.

Instrument	Trust Name	Security Cover	Structural Feature
Rs. 75.00-crore PP-MLD	Credavenue Modric Trust 2021 (Modric)	1.40x cover pool [^]	Pool to be assigned to the respective trust on the occurrence of predefined trigger events; post trigger events, all collections from the cover pool will be transferred to the Debenture Trustee of the rated MLDs

[^] The cover pool requirement is calculated on the outstanding principal and accrued interest

The ratings also draw comfort from VCPL's prudent underwriting norms and track record in lending to NBFCs. Nonetheless, post any trigger event, the performance of the cover pool remains exposed to macro-economic shocks/business disruptions, if any.

Structure details, adequacy of credit enhancement and salient features of rated instruments

Details on the structure, adequacy of the credit enhancement and salient features of each rated instrument are available in ICRA's previous rationales¹.

Rs. 50.00-crore PP-MLD {Credavenue Roddick Trust 2021 (Roddick)}: [Click here](#)

Rs. 50.00-crore PP-MLD {Credavenue Alfea Trust 2021 (Alfea)}: [Click here](#)

Rs. 75.00-crore PP-MLD {Credavenue Modric Trust 2021 (Modric)}: [Click here](#)

Key rating drivers and their description

Credit strengths

Presence of cover pool to support servicing of the rated facility in the event of non-payment by entity – The primary obligation of meeting the MLD payments is on VCPL. However, if VCPL does not meet the expected payment on the MLDs, the collections from the cover pool will be available to the Debenture Trustee. The principal as well as the interest on the MLDs are promised to the MLD investors on the legal maturity date. Further the transaction has credit enhancement in the form of over-collateralisation, which act as a buffer if the collections in the cover pool decline.

Stringent eligibility criteria for cover pool – The eligibility criteria of the cover pool for the Modric transaction stringent. No contracts at the time of assignment should be delinquent. Further, the cover pool would consist of investment grade entities/investments with 50% of the entities/investments rated BBB/BBB(SO) or higher. Also, the benefit available on account of the difference between the pool yield and the MLD yield may shrink in case the pool, at the time of the occurrence of the trigger event, if the cover pool consists of contracts which have a lower internal rate of return (IRR). However, this is mitigated by minimum and weighted average IRR of contracts in pool being at 11% and 12% respectively as per eligibility criteria.

Credit challenges

Moderate obligor-level concentration in the cover pool – The concentration in the cover pool is moderate with maximum obligor concentration at 6% of the cover pool principal. The eligibility criteria of the cover pool, however, restricts the top obligor concentration with the top 6 and top 10 up to 28.57% and 50% of the pool principal, respectively. The principal outstanding of the loans/NCDs/PTCs is capped at Rs. 5 crore per obligor.

High proportion of borrowers likely from NBFC sector – Given the high concentration of VCPL's lending book in the non-banking financial company (NBFC) sector, it is likely that a similarly high concentration would be visible in the cover pool for

¹ Following the release of the Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021 dated September 24, 2021, ICRA had published its comments on such structured debt instruments which can be accessed [here](#).

the transaction. Any industry-level stress could reduce the credit quality of the underlying cover pool, though VCPL would be replacing contracts that do not meet the eligibility criteria with new contracts until the trigger event. Also, the sector-wise concentration is capped in range of 40% of the cover pool, which would provide some meaningful diversification.

Liquidity position

For PP-MLD [ICRA]AA+(CE) (Stable): Strong

Both the principal and the interest amount on the MLDs is promised to the lender on the legal final maturity date subject to the non-occurrence of a trigger event. The cash flows from the cover pool are expected to be comfortable to meet the debt servicing in the event that the entity has been unable to meet the scheduled payments on the MLDs.

For [ICRA]A(Stable) rating: 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

For PP-MLDs rated [ICRA]AA+(CE) (Stable)

Positive factors – The ratings are unlikely to be upgraded.

Negative factors – The ratings could be downgraded on the non-adherence to the key transaction terms envisaged at the time of the ratings. The ratings could also come under pressure in case of a deterioration in VCPL’s credit profile or a deterioration in the credit quality of the cover pools.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Non-banking Finance Companies Covered Bond Transactions ICRA's Policy on Withdrawal of Credit Rating
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

About the company

Vivriti Capital Private Limited is a registered non-deposit taking systemically important non-banking financial company (NBFCND-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

Sr. No.	Instrument	Type	Current Rating (FY2023)		Chronology of Rating History for the Past 3 Years												Date & Rating in FY2020
			Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating		Date & Rating in FY2022					Date & Rating in FY2021					
					Jan-27-2023	Nov-11-2022	Feb-03-2022	Nov-16-2021	Jun-04-2021	May-28-2021	Apr-06-2021	Mar-09-2021	Feb-25-2021	Feb-18-2021	Feb-08-2021	Feb-01-2021	
1	MLD	Long Term	75.00	75.00	PP-MLD [ICRA]AA+ (CE) (Stable)	PP-MLD [ICRA]AA+ (CE) (Stable)	PP-MLD [ICRA]AA+ (CE) (Stable)	PP-MLD [ICRA]AA+ (CE) (Stable)	PP-MLD [ICRA]AA+ (CE) (Stable)	Provisional PP-MLD [ICRA]AA+ (CE) (Stable)	-	-	-	-	-	-	-
2	MLD	Long Term	50.00	Nil	PP-MLD [ICRA]AA+ (CE) (Stable); withdrawal	PP-MLD [ICRA]AA+ (CE) (Stable)	PP-MLD [ICRA]AA+ (CE) (Stable)	PP-MLD [ICRA]AA+ (CE) (Stable)	PP-MLD [ICRA]AA+ (CE) (Stable)	PP-MLD [ICRA]AA+ (CE) (Stable)	PP-MLD [ICRA]AA+ (CE) (Stable)	PP-MLD [ICRA]AA+ (CE) (Stable)	PP-MLD [ICRA]AA+ (CE) (Stable)	Provisional PP-MLD [ICRA]AA+ (CE) (Stable)	-	-	-
3	MLD	Long Term	50.00	Nil	PP-MLD [ICRA]AA+ (CE) (Stable); withdrawal	PP-MLD [ICRA]AA+ (CE) (Stable)	PP-MLD [ICRA]AA+ (CE) (Stable)	PP-MLD [ICRA]AA+ (CE) (Stable)	PP-MLD [ICRA]AA+ (CE) (Stable)	PP-MLD [ICRA]AA+ (CE) (Stable)	PP-MLD [ICRA]AA+ (CE) (Stable)	PP-MLD [ICRA]AA+ (CE) (Stable)	PP-MLD [ICRA]AA+ (CE) (Stable)	PP-MLD [ICRA]AA+ (CE) (Stable)	PP-MLD [ICRA]AA+ (CE) (Stable)	Provisional PP-MLD [ICRA]AA+ (CE) (Stable)	-

For details on other ICRA-rated instruments of the company, refer to the rationale [here](#)

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Credavenue Roddick Trust 2021 (Roddick)	Principal Protected Market Linked Debentures (PP-MLD)	Complex
Credavenue Alfea Trust 2021 (Alfea)	Principal Protected Market Linked Debentures (PP-MLD)	Complex
Credavenue Modric Trust 2021 (Modric)	Principal Protected Market Linked Debentures (PP-MLD)	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, is available on ICRA's website [Click here](#)

Annexure-I: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE01HV07130	MLD	Jan-29-2021	9.25%*	Jan-29-2024	Nil	PP-MLD [ICRA]AA+(CE) (Stable); withdrawn
INE01HV07155	MLD	Feb-16-2021	9.25%*	Nov-16-2022	Nil	PP-MLD [ICRA]AA+(CE) (Stable); withdrawn
INE01HV07197	MLD	May-28-2021	9.25%*	Mar-28-2023	75.00	PP-MLD[ICRA]AA+(CE) (Stable)

* Additionally, step-up interest of 4.0% is applicable from date of issuance in case of trigger event

Source: Company

For details on other ICRA-rated instruments of the company, refer to the rationale [here](#)

Annexure-II: List of entities considered for consolidated analysis

Not Applicable

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