

August 07, 2023

## Vistaar Financial Services Pvt Ltd: Ratings upgraded for PTCs issued under small business mortgage loan receivables transaction

### Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
CredAvenue Daisy 05 2021	PTC Series A1	13.17	5.75	2.23	[ICRA]AAA(SO); Upgraded from [ICRA]AA(SO)
	PTC Series A2	0.38	0.38	0.38	[ICRA]AA+(SO); Upgraded from [ICRA]A(SO)

\*Instrument details are provided in Annexure I

### Rationale

The pass-through certificates (PTCs) are backed by a pool of small business mortgage loans originated by Vistaar Financial Services Pvt Ltd {VFSP; rated [ICRA]A (Positive)}. The ratings have been upgraded on account of the healthy amortisation and performance of the pool, leading to the build-up of the credit enhancement (CE) cover over the future PTC payouts. The breakeven collection efficiency is significantly below the actual collection level observed in the pool.

### Pool performance summary

A summary of the performance of the pool till the June 2023 collection month (July 2023 payout month) has been tabulated below.

Parameter	CredAvenue Daisy 05 2021
Months post securitisation	25
Pool amortisation	72.7%
PTC amortisation – PTC Series A1	83.0%
PTC Series A2	0.0%
Cumulative collection efficiency <sup>1</sup>	99.9%
Loss-cum-0+ (% of initial pool principal) <sup>2</sup>	0.0%
Loss-cum-30+ (% of initial pool principal) <sup>3</sup>	0.0%
Loss-cum-90+ (% of initial pool principal) <sup>4</sup>	0.0%
Cumulative prepayment rate	47.9%
Breakeven collection efficiency <sup>5</sup> – PTC Series A1	20.2%
PTC Series A2	28.3%
Cumulative cash collateral (CC) utilisation (% of initial CC)	0.0%
CC available (as % of balance pool principal)	29.3%
Excess interest spread (EIS) over balance tenure (as % of balance pool principal) <sup>6</sup> –	
PTC Series A1	44.6%
PTC Series A2	41.6%
Principal subordination (% of balance pool principal) – PTC Series A1	45.7%
PTC Series A2	36.6%

<sup>1</sup> Cumulative collections till date / Cumulative billings till date + Opening overdues

<sup>2</sup> POS on contracts aged 0+ dpd + Overdues / Initial POS on the pool

<sup>3</sup> POS on contracts aged 30+ dpd + Overdues / Initial POS on the pool

<sup>4</sup> POS on contracts aged 90+ dpd + Overdues / Initial POS on the pool

<sup>5</sup> It is the minimum collection efficiency required over the balance tenure to ensure all investor payouts are met: (Balance cash flows payable to investor – CC available) / Balance pool cash flows

## Key rating drivers

### Credit strengths

- Healthy amortisation of pool resulting in build-up of cash collateral (CC), subordination and Excess Interest Spread (EIS) cover available for the balance PTC payouts.
- Healthy collection efficiency exhibited by the pool;

### Credit challenges

- High geographical concentration with top three states contributing to 69% of the balance pool principal
- Pool's performance will remain exposed to macro-economic shocks/business disruptions, if any.

## Description of key rating drivers highlighted above

The performance of the pool has been healthy with a cumulative collection efficiency of 99.9% and nil loss-cum-90+ days past due (dpd) as of the July 2023 payout month. There has been no CC utilisation in the transaction till date. Healthy collections and pool amortisation have led to the build-up of the CE in the pool. The breakeven collection efficiency at the current level is lower compared to the actual collection level. The balance pool has high geographical concentration with the top 3 states accounting for ~69% of the pool principal. The pool has seen higher prepayments with an average monthly prepayment rate of ~3%. The peak loss-cum-90+ dpd is sub-1% and the delinquencies seen in the pool are lower than that factored in at the time of the initial rating exercise. Going forward, the pool's performance will remain exposed to macro-economic shocks/business disruptions.

Overall, the CE available for meeting the balance payouts to the investors is sufficient to upgrade the ratings in the transaction. ICRA will continue to monitor the performance of the transaction. Any further rating action will be based on the performance of the pool and the availability of CE relative to ICRA's expectations.

**Performance of past rated pools:** ICRA has rated nine PTC transactions backed by small business loan receivables originated by VFSPL, of which two are live. The live pools have shown healthy collection efficiency with nil CC utilisation and nil loss-cum-90+ dpd as of the July 2023 payout.

## Key rating assumptions

ICRA's cash flow analysis for 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 the coefficient of variation (CoV) are arrived at after taking into account the past performance of the originator's portfolio and rated pool, 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.

After making the aforementioned adjustments, the expected loss and prepayments during the balance tenure of the pool are provided in the following table.

S. No.	Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
1	CredAvenue Daisy 05 2021	0.5-1.5%	6-18% p.a.

## Liquidity position

### Superior for PTC Series A1

As per the transaction structure, only the interest amount is promised to the PTC Series A1 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 highly comfortable to meet the promised payouts to the PTC Series A1 investors.

### Strong for PTC Series A2

After PTC Series A1 is fully paid, the interest amount is promised to the PTC Series A2 holders on a monthly basis and 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 comfortable to meet the promised payouts to the PTC Series A2 investors.

## Rating sensitivities

### Positive factors

**For PTC Series A1** – Not applicable

**For PTC Series A2** – The rating for PTC Series A2 would be upgraded once the CC covers the future PTC payouts.

**Negative factors** – The sustained weak collection performance of the underlying pool of contracts, leading to higher-than-expected delinquency levels and higher CE utilisation levels, would result in a rating downgrade.

## Analytical approach

The rating action is based on the pool's performance till June 2023 (collection month), the present delinquency-level analysis of the performance of VFSPL's portfolio till March 2023, the performance expected over the balance tenure of the pool and the CE cover available in the transaction.

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 originator

VFSPL is a Bengaluru-based non-banking financial company (NBFC) catering to small businesses. It commenced operations in 2010 with focus on microfinance (MF) loans. However, it shifted its focus to providing loans to micro, small and medium enterprises (MSMEs) in rural and semi-urban areas from April 2011 and stopped disbursing new MF loans from August 2011. The company mainly provides small business mortgage loans (SBMLs). Small businesses funded by VFSPL include kirana/general stores/shops, power/auto/handlooms, dairy and allied products, and small manufacturing units. VFSPL was promoted by Mr. Brahmanand Hegde and Mr. Ramakrishna Nishtala, who have experience in the retail lending business. Warburg Pincus LLC acquired a majority stake in the company in Q1 FY2024, with a shareholding of 93.9% as of May 25, 2023. Warburg Pincus also infused capital of Rs. 300 crore in May 2023. Following the acquisition of the majority stake by Warburg Pincus, the promoters have resigned from their executive positions in the company, though they remain on the board. VFSPL has appointed Mr. Avijit Saha as its Chief Executive Officer (CEO). The company operates through 211 branches in 12 states/Union Territories, including Tamil Nadu, Karnataka, Maharashtra, Gujarat, Madhya Pradesh, Rajasthan, Odisha, Uttar Pradesh, Andhra Pradesh, Telangana, Haryana and Delhi, as of March 2023.

**Key financial indicators (audited)**

	FY2021	FY2022	FY2023
<b>Total income</b>	390.8	433.6	538.9
<b>Profit after tax (PAT)</b>	64.8	74.2	100.0
<b>Assets under management (AUM)</b>	2,065.4	2,419.8	3,132.5
<b>Gross stage 3</b>	3.2%	2.7%	3.8%*
<b>Net stage 3</b>	2.2%	1.9%	2.5%*

Source: Company, ICRA Research; Amount in Rs. crore; All ratios as per ICRA's calculations; \*As per RBI circular dated November 2021

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

**Any other information: None**

**Rating history for past three years**

Sr. No.	Trust Name	Instrument	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years				
			Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022		Date & Rating in FY2021
					August 07, 2023	August 26, 2022	August 13, 2021	July 05, 2021 <sup>^</sup>	-
1	<b>CredAvenue Daisy 05 2021</b>	PTC Series A1	13.17	2.23	[ICRA]AAA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-
		PTC Series A2	0.38	0.38	[ICRA]AA+(SO)	[ICRA]A(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-

<sup>^</sup>Provisional rating assigned

**Complexity level of the rated instrument**

Trust Name	Instrument	Complexity Indicator
<b>CredAvenue Daisy 05 2021</b>	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: [Click Here](#)

**Annexure I: Instrument details**

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
<b>CredAvenue Daisy 05 2021</b>	PTC Series A1	June 2021	8.75%	March 2035	2.23	[ICRA]AAA(SO)
	PTC Series A2		13.20%		0.38	[ICRA]AA+(SO)

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

**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)

### Sachin Joglekar

+91 22 6114 3470

[sachin.joglekar@icraindia.com](mailto:sachin.joglekar@icraindia.com)

### Gaurav Mashalkar

+91 22 6114 3431

[gaurav.mashalkar@icraindia.com](mailto:gaurav.mashalkar@icraindia.com)

### Priya Gounder

+91 22 6114 3454

[priya.gounder@icraindia.com](mailto:priya.gounder@icraindia.com)

### Vishal Oza

+91 22 6114 3432

[vishal.oza@icraindia.com](mailto:vishal.oza@icraindia.com)

## RELATIONSHIP CONTACT

### L. Shivakumar

+91 22 6169 3304

[shivakumar@icraindia.com](mailto:shivakumar@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, 2023 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.