

August 17, 2023

Vriksh Advisors Private Limited: Provisional [ICRA]A-(SO) assigned to PTCs to be issued by PIRG SDI 6 TRUST

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
PIRG SDI 6 TRUST	PTC Series A1	5.00	Provisional [ICRA]A-(SO); Assigned

*Instrument details are provided in Annexure I

Rating in the absence of the pending actions/documents	No rating would have been assigned as it would not be meaningful
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Rationale

ICRA has assigned a provisional rating to pass-through certificates (PTC) Series A1, to be issued under a collateralised bond obligation (CBO) transaction wherein the seller/originator is Vriksh Advisors Private Limited (Vriksh). Vriksh shall assign to PIRG SDI 6 TRUST the future receivables arising from non-convertible debentures (NCD) issued by four entities, viz. Clix Capital Services Private Limited (unrated), Muthoot Capital Services Limited (unrated), Satin Creditcare Network Ltd. ([ICRA]A-(Stable)/[ICRA]A1) and Spandana Sphoorty Financial Limited ([ICRA]A-(Positive)). The aggregate receivables are Rs. 5.80 crore with underlying pool principal being Rs. 5.00 crore as on August 15, 2023. The Trust will in turn issue single series of PTC (i.e. PTC Series A1 of Rs. 5.00 crore) backed by the NCD receivables.

The provisional rating to PTC is based on the strength of the cash flows from the selected pool of NCDs and the integrity of the legal structure. There is no external credit enhancement in the structure. The rating is subject to the fulfilment of all the conditions under the structure and the review of the documentation pertaining to the transaction by ICRA.

Key rating drivers

Credit strengths

- Diversity amongst the borrower entities in terms of the varied nature of businesses
- Presence of entities having moderate to strong credit profiles

Credit challenges

- High obligor concentration in the pool (top obligor constitutes ~27% of pool principal)
- No external credit enhancement in the structure

Description of key rating drivers highlighted above

As per the transaction structure, the NCD receivables will be assigned at par to the trust. The monthly cash flow schedule comprises of expected principal and interest payments to PTC Series A1. The principal and interest payments are promised on the legal final maturity date (July 1, 2025). The PTC payouts for a particular month will comprise of the NCD payouts received in the preceding month. All the rights of NCD holders will be exercised by the Trustee on behalf of PTC investors.

There is no external credit enhancement available in the structure. The entities, the NCDs of which would be assigned to the Trust, have standalone ratings in the A category. The entities are NBFCs involved in lending business across different product classes and end-use, thereby providing a diverse portfolio mix to the pool. However, the concentration risk is high since the transaction comprises NCD contracts issued by only four entities; the top obligor in the pool constitutes ~27% of the pool

principal. Hence, any deterioration in the credit quality of the individual entities in the pool to a rating level below the rating assigned to the PTCs would have a bearing on the credit quality of the rated PTCs.

Past rated pools: This is the first NCD receivables-backed PTC transaction (originated by Vriksh), which has been rated by ICRA.

Key rating assumptions

ICRA’s rating (or shadow rating) on the entities in the pool has been taken into account while assigning rating to PTCs. There is no external credit enhancement in the structure; hence, the default probability on the PTC payout is considered to be in line with the default probability of the lowest-rated entity in the pool.

Liquidity position: Adequate

Considering the liquidity profiles of the underlying entities, the liquidity position for PTC Series A1 is considered to be adequate to meet the promised investor payouts.

Rating sensitivities

Positive factors – Improvement in the credit profiles of the underlying entities could lead to upgrade in PTC rating.

Negative factors – The rating could be downgraded due to weakening of credit profile of entities which are a part of the pool or non-adherence to the material terms of the transaction.

Analytical approach

The rating action is based on the credit profile of the underlying borrower entities in the transaction and performance expected over the balance PTC tenure.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Collateralised Debt Obligations
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned rating is provisional and would be converted into final upon the execution of:

1. Trust Deed
2. Assignment Agreement
3. Information Memorandum; and
4. Any others prescribed by the Transaction Counsel

Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA’s Policy on Provisional Ratings available at www.icra.in.

About the seller

Vriksh Advisors Private Limited (Vriksh) is in the business of leasing various movable assets to its identified customers on an operating lease model for a mutually agreed period. Concurrently with the lease of assets, Vriksh assigns all or a significant

portion of the lease rent receivable from its customers on a non-recourse basis to third parties. Till date, Vriksh has originated 7 LeaseX (leasing transaction via securitization structure is referred to as “LeaseX) opportunities executed in the form of a securitized debt instrument (SDI). These transactions had a cumulative value of more than Rs. 70 crore and involved 18 Lessees with a monthly payout to the investors.

Grip Invest Technologies Private Limited (Grip), which is Vriksh's related entity, operates a digital platform to discover alternate investment options and offers its users access to various asset-backed, fixed-income investment opportunities. Asset-backed leasing is the primary asset class offered to its users. Grip has enabled 24,300 investors to invest Rs. 690 crore since its launch 3 years ago. It has provided leasing to 130+ companies with a focus on mobility, warehousing, medical equipment, furniture, etc. So far, about Rs. 323 crore has been returned to investors as per the repayment schedules. Grip has received Rs. 95 crore in equity capital from leading institutional investors such as Venture Highway, Endiya Partners, AdvantEdge, Anicut Capital, Nueva Capital and Multiply Ventures.

Key financial indicators – Vriksh

	FY2021 (audited)	FY2022 (audited)	FY2023 (provisional)
Total income	0.05	0.06	0.16
Depreciation	0.01	-	-
Interest	0.00	-	0.87
Profit after tax (PAT)	0.02	(0.03)	(2.16)
Total debt	0.35	-	23.31
Net worth	1.91	1.61	(0.56)

Amount in Rs. crore; All calculations are as per ICRA Research

Source: Company, ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Sr.No	Trust Name	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years			
		Instrument	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 17, 2023	-	-	-	
1	PIRG SDI 6 TRUST	PTC Series A1	5.00	5.00	Provisional [ICRA]A-(SO)	-	-	-	

Complexity level of the rated instrument

Instrument	Complexity Indicator
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: [Click Here](#)

Annexure I: Instrument details

ISIN No	Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
NA	PIRG SDI 6 TRUST	PTC Series A1	August 2023	10.51%	July 01, 2025	5.00	Provisional [ICRA]A-(SO)

* Scheduled maturity date; may change on account of prepayments/foreclosure
Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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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

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