

August 25, 2023

Vriksh Advisors Private Limited: Ratings confirmed as final for PTCs issued under a lease receivables securitisation transaction

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Prosperity Asset 6 Trust	Series 1 PTCs	4.90	[ICRA]BB+(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

In August 2023, ICRA had assigned Provisional [ICRA]BB+(SO) rating to Series 1 Pass-Through Certificates (PTCs) issued by Prosperity Asset 6 Trust originated by Vriksh Advisors Private Limited (Vriksh/Originator/Lessor). The PTCs are backed by lease receivables from Praba's VCare Health Clinic Private Limited (VCare/Obligor/Lessee) for assets such as furniture and fixtures, information technology (IT) equipment and medical equipment leased by Vriksh. The assigned rating is based on VCare's credit profile, the established relationship between Vriksh and VCare, the track record of rental payments between them under other existing lease agreements and the integrity of the legal structure. Since the executed transaction documents are in line with the rating conditions and the legal opinion for the transaction has been provided to ICRA, the said rating has now been confirmed as final.

Key rating drivers

Credit strengths

- Transaction structure ensuring no co-mingling of receivables with the Originator thereby effectively carrying the credit risk of the Lessee (VCare)
- Established track record of lease payments under other existing lease agreements between the Originator and Lessee
- Cushion of 17-20 days between the due dates of the rental payments and the corresponding PTC payout dates and an additional gap of 66 days between the last payout date and the legal maturity date.

Credit challenges

- The pool has a single Obligor; hence, the payouts on the instrument are strongly linked to the credit profile of the Obligor.

Description of key rating drivers highlighted above

The Trustee has settled the Trust and the PTCs issued by the Trust are backed by receivables due from the Lessee to the Lessor are assigned by the Lessor to the Trust (on a non-recourse basis). The purchase consideration for the PTCs is arrived by discounting the rentals due from the Lessee at the PTC yield. The receivables include all rental payments including the GST component and net of TDS (if applicable) due from the Lessee to the Lessor as per the terms of the MRA. The gross rentals would remain unchanged even if there in any change in the GST rate applicable.

The Trustee has opened a no-lien Collection and Payout Account (CPA) in the nature of a Trust & Retention Account (Trust Account) with a bank. The Lessee shall directly transfer the rentals into the CPA of the Trust. All monies credited in the CPA shall be held in the Trust for the benefit of the investors and as per the waterfall mechanism defined in the transaction documents. Thus, the transaction structure ensures that there is no commingling of receivables with the Lessor, thereby effectively carrying the credit risk of the Lessee.

The rentals payable by the Lessee would be paid directly by it to the Trust at quarterly intervals over a period of two years. In the event of the termination of the MRA, the receivables shall include the termination amount due from the Lessee to the

Lessor as per the terms of the MRA. The termination amount shall mean the present value of all future receivables due on the date of the termination of the MRA (arrived at by discounting the future receivables at a yield not higher than the PTC yield). Thus, even under a scenario where the MRA is terminated, the PTC investors will not face any shortfall.

Though the PTCs will be paid on a quarterly basis, the principal and interest payment on the PTCs is promised on the final maturity date, which would be 24 months from the date of issuance. The rentals must be deposited in the CPA at least 17 to 20 days before each expected payout date. In ICRA’s view, the cushion of 17 to 20 days between the due date of the rental payment under the MRA and the corresponding expected PTC payout date is sufficient to manage any operational delays in the rental payment by the Lessee, thus ensuring timely payment to the PTC investors. Further, there is an additional gap of 66 days between the last expected payout date and the legal maturity date.

The rating remains exposed to high concentration risk as the rentals are to be received from a single counterparty, viz. VCare. However, the established track record of lease payments under other existing lease agreements provides comfort. The Lessor has assigned its rights in the receivables to the Trust and the Trust is therefore entitled to all the rights available to the Lessor, which would be a mitigant to the risk of non-payment by VCare. The rental payments will be bankruptcy remote from the Lessor.

The assigned rating is based on the credit profile of VCare, the established relationship between Vriksh and VCare, the track record of payments between them and the integrity of the legal structure.

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

Key rating assumptions

To arrive at the rating, ICRA has relied on the credit profile of the Lessee. Also, the track record of timely payments by the Lessee against the lease rental invoices raised in the past and various other structural features add strength to the transaction.

Liquidity position: Adequate

The payment obligations of VCare to Vriksh are being securitised in the proposed transaction. As per the transaction structure, both the interest and the principal amount is promised to the PTC holders on the scheduled maturity date of the transaction. Basis the on-balance sheet liquidity available with VCare to meet its various payment obligations, the liquidity is deemed to be adequate for the transaction to meet the promised payouts to the PTC Series 1 investors.

Rating sensitivities

Positive factors – Rating can be upgraded if there is an improvement in the credit profile of the Lessee.

Negative factors – The rating can be downgraded if there is a deterioration in the credit profile of Lessee or non-adherence to the terms of the transaction. The rating would be under pressure if there are delays observed in the lease rental payments by the Lessee.

Analytical approach

The rating action is based on the trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for Securitisation Transactions
Parent/Group Support	Not Applicable

Consolidation/Standalone	Not Applicable
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About the Originator/Lessor

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 securitised debt instrument (SDI). These transactions had a cumulative value of more than Rs. 70 crore and involved 18 Lessees with a monthly/ quarterly payout to the investors.

Grip Invest Technologies Private Limited (Grip), which is Vriksh's affiliate entity, operates a digital platform to discover alternate investment options and offers its users access to various asset-backed, fixed income asset classes. Asset-backed leasing is the primary asset class offered to its users. Grip has enabled 24,300 investors to invest more than Rs. 700 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. 70 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

About the Lessee

Praba's VCare Health Clinic Private Limited was set up in 2004. It is a multispecialty chain of aesthetic clinics providing International standard U.S FDA approved treatment. The company had commenced its operations in the field of beauty and cosmetics and is currently involved in a wide range of activities like skin care treatments, hair care treatments, advanced hair transplantation, health & wellness education, research & development, advanced diagnostics, manufacturing, distribution, retailing, telemarketing, etc. It has operations in four states (Tamil Nadu, Karnataka, Andhra Pradesh and Telangana) and one Union Territory (Puducherry) across South India through 52 clinics, including 7 super specialty clinics. The company has treated more than 1.6 million clients and has a team of more than 100 experienced trichologists, cosmetologists, surgeons and a service team with more than 1,200 hair & skin experts.

VCare Group

The VCare group of companies has been involved in the health & wellness business since 2006. It was started by Ms. E. Carolin Praba, a certified trichologist, who is the Founder-Chairperson.

Key financial indicators – VCare Group

	FY2021 (audited)	FY2022 (audited)	FY2023 (provisional)
Operating income (OI)	93	135.9	216.3
OPBITDA	29.2	46.5	71.9
Depreciation	7.5	6	5.5
Interest	19.2	17.2	18.7
Profit after tax (PAT)	1.4	21.8	36.4
Total debt	57.9	36.7	21.6
Tangible net worth (TNW)	12.9	34.6	71.5

Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Trust Name	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years			
		Instrument	Initial Rated Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					Aug 25, 2023	Aug 08, 2023			
1	Prosperity Asset 6 Trust	Series 1 PTCs	4.97	4.90*	[ICRA]BB+(SO)	Provisional [ICRA]BB+(SO)	-	-	-

*The provisional rating was assigned to proposed PTC issuance of Rs. 4.97 crore; however, the PTC issuance is for Rs. 4.90 crore

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series 1 PTCs	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
Prosperity Asset 6 Trust	Series 1 PTCs	August 2023	14.7%	August 2025	4.90	[ICRA]BB+(SO)

**Scheduled maturity date at transaction initiation; may change on account of prepayments [^]Gross pre-tax yield (quarterly compounded)*

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.

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