

May 27, 2024

Vedika Credit Capital Ltd: Ratings upgraded for PTCs issued under microfinance loan securitisation transactions

Summary of rating action

Trust Name	Instrument*	Initial amount (Rs. crore)	Previous Rated Amount (Rs. crore)	O/s after April-24 payout (Rs. crore)	Rating Action
Dexter 2023	PTC Series A1	43.03	43.03	12.82	[ICRA]A+(SO); upgraded from [ICRA]A-(SO);
Bruno 2023	PTC Series A1	49.92	49.92	24.27	[ICRA]A(SO); upgraded from [ICRA]A-(SO);
Tristar 2023	PTC Series A1	56.18	56.18	31.88	[ICRA]A(SO); upgraded from [ICRA]A-(SO);

*Instrument details are provided in Annexure I

Rationale

The pass-through certificate (PTCs) are backed by pools of microfinance loan receivables originated by Vedika Credit Capital Ltd (Vedika/Originator).

The ratings upgrade takes into account the sustained healthy collections and nil delinquencies observed in the pools. The credit enhancement cover over the future PTC payouts has thus increased. The breakeven collection efficiency is also comfortable compared to the actual collection levels observed in the pools.

Pool performance summary

Particulars	Dexter	Bruno	Tristar
Payout month	April 2024	April 2024	April 2024
Months post securitisation	12	10	9
Pool amortisation	63.19%	45.55%	39.35%
PTC Series A1 amortisation	70.21%	51.38%	43.25%
Cumulative collection efficiency ¹	100.00%	100.00%	100.00%
Loss-cum-0+ dpd ² (% of initial pool)	0.00%	0.00%	0.00%
Loss-cum-30+ dpd ³ (% of initial pool)	0.00%	0.00%	0.00%
Loss-cum-90+ dpd ⁴ (% of initial pool)	0.00%	0.00%	0.00%
Cumulative cash collateral (CC) utilisation	0.00%	0.00%	0.00%
Cumulative prepayment rate	0.00%	0.00%	0.00%
Breakeven collection efficiency ⁵ for PTC Series A1	44.53%	58.74%	63.49%
CC (% of balance pool)	27.16%	18.37%	18.14%
Principal subordination (% of balance pool) PTC Series A1	27.16%	19.63%	14.84%
Excess interest spread (EIS ⁶ ; % of balance pool) PTC Series A1	5.42%	8.46%	8.57%

¹ (Cumulative current and overdue collections till date)/(Cumulative billing till date + Opening overdues at the start of the transaction)

² Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 0 days, as a % of initial pool principal

³ Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 30 days, as a % of initial pool principal

⁴ Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 90 days, as a % of initial pool principal

⁵ (Balance cash flows payable to investor – CC available)/Balance pool cash flows

⁶ (Pool cash flows – Cash flows to PTC investors – Originator's residual share)/Pool principal outstanding

Key rating drivers and their description

Credit strengths

Healthy collection efficiency observed in the pools – The pools have 100% collection efficiency with nil delinquencies as on April 2024 payout month demonstrating the strong collection efforts of Vedika.

Buildup in credit enhancement cover – The ratings are supported by the build-up in the credit enhancement cover following the amortisation of the pool and healthy collections. The breakeven collection efficiency ranges between 45% ~ 65% for the three pools which is substantially lower than the monthly collections being currently seen.

Credit challenges

High geographical concentration – The pools have high geographical concentration with the top 3 states, viz. West Bengal, Bihar and Assam, contributing ~75% of the balance pool principal amount for each pool. The pools’ performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

Risk associated with lending business – The pools’ performance would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans. The performance of microfinance loans would also be exposed to political and communal risks.

Performance of past rated pools: ICRA has rated eight standalone PTC transactions of Vedika in the past, including five which have matured. The live pools have 100% cumulative collection efficiency with nil CC utilisation as per the April 2024 payouts.

Key rating assumptions

ICRA’s cash flow modelling for rating securitisation transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator’s loan portfolio as well as the characteristics of the specific pool being evaluated. The resulting collections from the pool, after incorporating the impact of the losses and prepayments, are accounted for in ICRA’s cash flow model, in accordance with the cash flow waterfall of the transaction.

For the current pools, ICRA has estimated following shortfall in the pool principal collection during their tenure. The average prepayment rate for the underlying pool is modelled in the range of 3% to 9% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final rating for the instrument.

S.No.	Transaction	Expected shortfall (%of initial pool principal)
1	Dexter 2023	4.25%
2	Bruno 2023	4.0%
3	Tristar 2023	4.0%

Liquidity position: Superior

The liquidity for the PTC instruments is superior after factoring in the credit enhancement available to meet the promised payouts to the investors. The total credit enhancement would be around 10 times or higher than the estimated losses for the transactions.

Rating sensitivities

Positive factors – The sustained strong collection performance of the underlying pool of contracts (monthly collection efficiency >95%), leading to lower-than-expected delinquency levels, and an increase in the cover available for future investor payouts from the credit enhancement would result in a rating upgrade.

Negative factors – The sustained weak collection performance of the underlying pool of contracts (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a rating downgrade. Weakening in the credit profile of the servicer could also exert pressure on the ratings.

Analytical approach

The rating action is based on the performance of the pool till March 2024 (collection month), the present delinquency levels and the credit enhancement available in the pool, and the performance expected over the balance tenure of the pool.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

Vedika Credit Capital Ltd is a non-deposit taking, non-banking finance company. The company was originally registered as a Private Limited Company but was later converted into a Public Limited Company in November 1995. It was recognized and re-registered to carry out the business of non-banking finance company with approval from the Reserve Bank of India in March 1998. Until February 2004 the company was involved in stock broking activities with its earlier owners. In February 2004, its present owners purchased the company and started the lending business. Since 2007, the company is into micro finance product like joint liability groups loans and individual loans. As on March 31,2024, the AUM stood at Rs. 928 crore.

Key financial indicators (IndAS)

Particulars	FY2022	FY2023	FY2024
	(Audited)	(Audited)	(Audited)
Total income	112.8	166.6	229.2
Profit after tax	23.2	17.0	27.8
Total managed Assets	745.7	1097.1	1379.5
%CRAR	20.1%	22.6%	23.5%
GS3 (Gross Stage 3 NPA)	2.01%	0.89%	0.73%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; 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	Trust Name	Current Rating (FY2025)			Chronology of Rating History for the Past 3 Years				
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
					May 27, 2024	May 03, 2023	May 03, 2023	Mar 27, 2023	-
1	Dexter 2023	PTC Series A1	43.03	12.82	[ICRA]A+(SO)	[ICRA]A-(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-

Sr. No	Trust Name	Current Rating (FY2025)			Chronology of Rating History for the Past 3 Years				
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
					May 27, 2024	Sept 18, 2023	May 26, 2023	-	-
2	Bruno 2023	PTC Series A1	49.92	24.27	[ICRA]A(SO)	[ICRA]A-(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-

Sr. No	Trust Name	Current Rating (FY2025)			Chronology of Rating History for the Past 3 Years				
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
					May 27, 2024	Oct 30, 2023	Jul 24, 2023	-	-
3	Tristar 2023	PTC Series A1	56.18	31.88	[ICRA]A(SO)	[ICRA]A-(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-

Complexity level of the rated instrument

Transaction	Instrument	Complexity Indicator
Dexter 2023	PTC Series A1	Moderately Complex
Bruno 2023	PTC Series A1	Moderately Complex
Tristar 2023	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

Trust Name	Instrument Name	Date of Issuance	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Dexter 2023	PTC Series A1	March 2023	13.25%	January 2025	12.82	[ICRA]A+(SO)
Bruno 2023	PTC Series A1	May 2023	13.25%	March 2025	24.27	[ICRA]A(SO)
Tristar 2023	PTC Series A1	July 2023	13.25%	April 2025	31.88	[ICRA]A(SO)

* Scheduled maturity at transaction initiation; may change on account of prepayment

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

ANALYST CONTACTS

Abhishek Dafria
+91 22 6114 3440
abhishek.dafria@icraindia.com

Sachin Joglekar
+91 22 6114 3470
sachin.joglekar@icraindia.com

Sumit Pramanik
+91 22 6114 3462
sumit.pramanik@icraindia.com

Sheetal Nayak
+91 22 6114 3420
sheetal.nayak@icraindia.com

Tina Parekh
+91 22 6114 3455
tina.parekh@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

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

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2024 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 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.