

June 03, 2024

## Vedika Credit Capital Ltd: Provisional [ICRA]A-(SO) assigned to PTC Series A1 issued by Plutus 2024, backed by a pool of microfinance loan receivables

### Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Plutus 2024	PTC Series A1	54.85	Provisional [ICRA]A-(SO); Assigned

\*Instrument details are provided in Annexure I

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

The pass-through certificates (PTCs) are backed by a pool of microfinance loan receivables originated by Vedika Credit Capital Ltd (Vedika/Originator) with an aggregate principal outstanding of Rs. 60.27 crore (pool receivables of Rs. 71.68 crore).

The provisional rating is based on the strength of the cash flows from the selected pool of contracts, the credit enhancement available in the structure as well as the integrity of the legal structure. The rating is subject to the fulfilment of all the conditions under the structure and ICRA's review of the documentation pertaining to the transaction.

### Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. The residual cash flow available, after making the promised and expected payments, shall flow back to the Originator on every payout date. All prepayment amounts would be passed on to PTC Series A1 (till PTC Series A1 principal is not fully amortised) every month and future payouts will be revised accordingly.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 11.00% of the initial pool principal, amounting to Rs. 6.63 crore, to be provided by the Originator, (ii) subordination of 9.00% of the initial pool principal for PTC Series A1, and (iii) the excess interest spread (EIS) of 9.40% of the initial pool principal for PTC Series A1.

### Key rating drivers and their descriptions

#### Credit strengths

**No overdue contracts in the pool** – The pool has been filtered in such a manner that there were no overdue contracts as on the cut-off date. Further, none of the contracts in the pool have ever been delinquent, which is a credit positive.

**Seasoned contracts in the pool** – The pool had amortised by 18%, as on the cut-off date, with no delinquencies seen in any of the contracts, post loan disbursement, thereby reflecting the borrowers' relatively better credit profile.

### Credit challenges

**High geographical concentration** – The pool has high geographical concentration with the top 3 states, viz. West Bengal, Bihar and Assam, contributing ~74% to the balance pool principal amount. The pool's performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

**Risks associated with lending business** – The pool's 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 previously rated pools

ICRA has rated eight PTC transactions of Vedika in the past, of which five have matured. The live pools witnessed 100% cumulative collection efficiency with nil CC utilisation as of the April 2024 payout month.

### 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 pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 4.75%, with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 3.00% to 9.00% 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.

### Liquidity position: Strong

The liquidity for PTC Series A1 is strong after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement is 5.50 times the estimated loss in the pool.

### 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 rating.

### Analytical approach

The rating action is based on the analysis of the performance of Vedika's portfolio till March 2024, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the credit enhancement cover available in the transaction.

Analytical Approach	
Applicable rating methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a>
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. Legal opinion
4. Trustee letter
5. Auditor's certificate
6. Any other documents executed for the transaction

## 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](http://www.icra.in).

## About the originator

Vedika Credit Capital Ltd is a non-deposit taking, non-banking financial company (NBFC). It was originally registered as a private limited company but was converted into a public limited company in November 1995. It was recognised and re-registered to carry out the business of an NBFC with approval from the Reserve Bank of India in March 1998. Until February 2004, the company was engaged in stockbroking activities under its earlier owners. In February 2004, its present owners purchased the company and started the lending business. Since 2007, Vedika provides microfinance products like joint liability group loans and individual loans. As on March 31, 2024, the assets under management stood at Rs. 928 crore.

## Key financial indicators

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	1,097.1	1,379.5
CRAR	20.1%	22.6%	23.5%
Gross stage 3 (GS3) NPA	2.1%	0.9%	0.7%

Source: ICRA Research; Amount in Rs. crore; Ratios are as per ICRA's calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

S. No	Trust Name	Current Rating (FY2025)			Chronology of Rating History for the Past 3 Years			
		Instrument	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
					June 03, 2024	-	-	-
1	Plutus 2024	PTC Series A1	54.85	54.85	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**

Trust Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating
<b>Plutus 2024</b>	PTC Series A1	May 2024	13.00%	March 2026	54.85	Provisional [ICRA]A- (SO)

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](http://www.icra.in)

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