

June 04, 2024

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

Summary of rating action

| Trust Name | Instrument* | Current Rated Amount (Rs. crore) | Rating Action |
|-------------------------|---------------|----------------------------------|--|
| Grip Prosperity Asset 1 | Series 1 PTCs | 4.42 | [ICRA]B+(SO); provisional rating confirmed as final |

*Instrument details are provided in Annexure I

Rationale

ICRA had assigned a provisional rating to the Series 1 pass-through certificates (PTCs) issued by Grip Prosperity Asset 1 under a securitisation transaction originated by Vriksh Advisors Private Limited (Vriksh/Originator/Lessor). The PTCs are backed by lease receivables of Rs. 5.48 crore from Waterwala Labs Private Limited (WLPL/Obligor/Lessee) for water purifiers leased by Vriksh. The receivables shall include all rental payments, including the goods and services tax (GST) component and tax deducted at source net of TDS (if applicable), due from the Lessee to the Lessor as per the terms of the Master Rent Agreement (MRA). The rentals have been discounted at the PTC yield to arrive at the purchase consideration for the PTC investors.

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.

Transaction Structure

As per the transaction structure, the rentals payable by the Lessee would be at quarterly intervals over a period of three years. The receivables shall include all rental payments including the GST component and net of TDS (if applicable) due from the Lessee to the Lessor. During the tenor of the transaction, although 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 36 months from the date of issuance.

Key rating drivers and their description

Credit strengths

No Co-mingling Risk – The transaction structure ensures that there is no co-mingling of receivables with the Originator thereby effectively carrying the credit risk of the Lessee (WLPL). The Lessee shall directly transfer the rentals into the Collection and Payout Account of the Trust.

Established payment track record – There is an established payment track record of lease payment for more than 3 years between the Vriksh and lessee under other existing lease agreements which provides comfort.

Cushion of ~20 days between rental payments and PTC payout dates – There is a gap of 18-20 days between the due dates of the rental payments and the corresponding PTC payout dates. This provides comfort in case of a delay in payment of lease rentals which are operational in nature. Further, there is gap of 70 days between the last payout date and the legal maturity date.

Credit challenges

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

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: Stretched

The payment obligations of WLPL to Vriksh are being securitised in the proposed transaction. As per the transaction structure, both the interest and the principal amount are promised to the PTC holders on the scheduled maturity date of the transaction. Basis the on-balance sheet liquidity available with WLPL to meet its various payment obligations, the liquidity is deemed to be “Stretched” for the transaction to meet the promised payouts to the Series 1 PTC 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 legal structure of the transaction and factors in the payment mechanism along with the credit profile of the Lessee.

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

About the originator/Lessor

Vriksh Advisors Private Limited, (Vriksh) is in the business of leasing of 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 receivables from its customers on a non-recourse basis to third parties. Till date, Vriksh has originated 9 LeaseX (leasing transaction via securitization structure is referred to as “LeaseX”) opportunities executed in the form of SDI. These 9 transactions had a cumulative value of approx. INR 100 Cr+ and involved 20 Lessees with monthly/ quarterly payout to 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 asset classes. Asset-backed leasing is the primary asset class offered to its users. Grip has enabled 26,000 investors to invest Rs. 970+ crore since its launch 4 years ago.

Grip has enabled leasing to 135+ companies with a focus on mobility, warehousing, medical equipment, furniture, etc. Grip has raised equity capital from institutional investors Stride Ventures, Venture Highway, Endiya Partners, AdvantEdge, Anicut Capital, Nueva Capital and Multiply Ventures. Grip leverages its experience in identifying and managing leasing transactions entered between Vriksh and various Lessees.

Key financial indicators – Vriksh

| | FY2022 (audited) | FY2023 (audited) | 9M FY2024 (provisional) |
|-------------------------------|---------------------|---------------------|----------------------------|
| Total income | 0.06 | 0.16 | 0.19 |
| Depreciation | - | - | - |
| Interest | - | 0.87 | 0.70 |
| Profit after tax (PAT) | (0.03) | (2.16) | (3.22) |
| Total debt | - | 23.31 | 19.00 |
| Net worth | 1.61 | (0.56) | (4.88) |

Amount in Rs. crore; All calculations are as per ICRA Research
Source: Company, ICRA Research

About the Lessee

WLPL is in the business of providing water purifiers on subscription model from 2016 under the brand name “**Drink Prime**”. WLPL has proprietary technology for IOT BOT for the said water purifiers which helps in monitoring the quality of water (like checking hardness of water etc.) and helps in calculating the consumption of water by the users. The USP of subscription-based model is cost savings for the customers. Drink Prime’s subscription model is based on number of litres consumed, which includes maintenance cost also. It can be either litres-based (in case the subscribed number of litres gets consumed before the month ends, the user can recharge number of litres) or time-based (in case the month has ended, the user can recharge for another month).

Key financial indicators – WLPL

| Figures in Rs. Crore | FY2022 (audited) | FY2023 (audited) | FY2024 (provisional) |
|--------------------------|---------------------|---------------------|-------------------------|
| Operating Income (OI) | 10.7 | 28.9 | 46.3 |
| OPBITDA | -17.8 | -19.6 | -5.2 |
| Depreciation | 2.2 | 4.8 | 5.3 |
| Interest | 1.8 | 3.2 | 2.9 |
| Profit After Tax (PAT) | -21.4 | -27.4 | -11.0 |
| Total Debt | 12.9 | 23.0 | 11.8 |
| Tangible Net Worth (TNW) | 18.2 | 8.2 | 7.3 |

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 (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 04, 2024 | May 27, 2024 | | | |
| Grip Prosperity Asset 1 | Series 1 PTCs | 4.42 | 4.42 | [ICRA]B+(SO) | Provisional [ICRA]B+(SO) | - | - | - |

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

| ISIN | Trust Name | Instrument | Date of Issuance / Sanction | Coupon Rate [^] | Maturity Date [*] | Amount Rated (Rs. crore) | Rating |
|--------------|-------------------------|---------------|-----------------------------|--------------------------|----------------------------|--------------------------|--------------|
| INE0WVY15010 | Grip Prosperity Asset 1 | Series 1 PTCs | May 2024 | 15.1% | May 2027 | 4.42 | [ICRA]B+(SO) |

** Scheduled maturity date is 36 months from the date of issuance; 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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