

July 12, 2024

Vedika Credit Capital Ltd: Rating confirmed as final for PTCs backed by microfinance loan receivables issued by Apollo 2024

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Apollo 2024	PTC Series A1	50.68	[ICRA]A-(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

ICRA had assigned a provisional rating to the PTC Series A1 issued by Apollo 2024 under a securitisation transaction originated by Vedika Credit Capital Ltd {Vedika/Originator}. The PTCs are backed by a pool of micro finance loan receivables originated by Vedika with an aggregate principal outstanding of Rs 55.70 crore (pool receivables of Rs 69.57 crore). 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.

Pool performance section

A summary of the performance of the pool after the May 2024 payout month has been provided below.

Parameter	Apollo 2024
Months post securitisation	2
Pool amortisation	4.5%
PTC Series A amortisation	5.3%
Cumulative collection efficiency ¹	100%
Loss-cum-0+ dpd (% of initial pool principal) ²	0.0%
Loss cum 30+ dpd (% of initial pool principal) ³	0.0%
Loss cum 90+ dpd (% of initial pool principal) ⁴	0.0%
Cumulative credit collateral utilisation	0.0%

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. Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of PTC series A1 principal.

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. 6.13 crore, 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 13.76% of the initial pool principal for PTC series A1.

¹Cumulative collections / (Cumulative billings + Opening overdues at the time of securitisation)

²Principal outstanding on contracts aged 0+ dpd / Principal outstanding on the pool at the time of securitisation

³Principal outstanding on contracts aged 90+ dpd / Principal outstanding on the pool at the time of securitisation

⁴Principal outstanding on contracts aged 180+ dpd / Principal outstanding on the pool at the time of securitisation

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement –The pool is granular, consisting of 9,684 contracts, with top 10 contract forming only ~4% of the initial pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC, subordination and EIS would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts.

No overdue contracts in the pool- The pool has been filtered in such a manner that there are nil overdue contracts as on the cut-off date.

Credit challenges

High geographical concentration-The pool has high geographical concentration with the top 3 states, viz. West Bengal, Bihar and Tripura, contributing ~71% 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.

Risk associated with lending business – The pools performance would remain exposed to natural calamities that may impact the income generating capability of the borrower, given the marginal borrower profile; further, performance of pools would also be exposed to political and communal risks. Performance of the pools would remain exposed to macro-economic shocks/ business disruptions, if any.

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 3.0% to 9.0% 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.

Details of key counterparties

Transaction Name	Apollo 2024
Originator	Vedika Credit Capital Limited
Servicer	Vedika Credit Capital Limited
Trustee	Catalyst Trusteeship Limited
CC holding Bank	Federal bank limited
Collection and payout account Bank	ICICI Bank Limited

Liquidity position: Strong for PTC Series A1

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 ~6.00 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 CE 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 CE utilisation levels, would result in a rating downgrade. Weakening in the credit profile of the servicer (Vedika) could also exert pressure on the rating.

Analytical approach

The rating actions are 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

About the originator

Vedika Credit Capital Ltd (Vedika) is a non-deposit taking, non-banking finance company (NBFC). 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 microfinance product like joint liability groups loans and individual loans. As on March 31,2024, the AUM 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	1097.1	1379.5
CRAR	20.1%	22.6%	23.5%
GS3 (Gross Stage 3 NPA)	2.01%	0.89%	0.73%

Amount in Rs. crore

Source: Company's financial statements, 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 (FY2025)				Chronology of Rating History for the Past 3 Years		
		Instrument	Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
					July 12,2024			
1	Apollo 2024	PTC Series A1	50.68	50.68	[ICRA]A-(SO)	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	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Current Amount Rated (Rs. crore)	Current Rating
Apollo 2024	PTC Series A1	March 26, 2024	13.25%	January 15,2026	50.68	[ICRA]A-(SO)

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

022-61143440

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



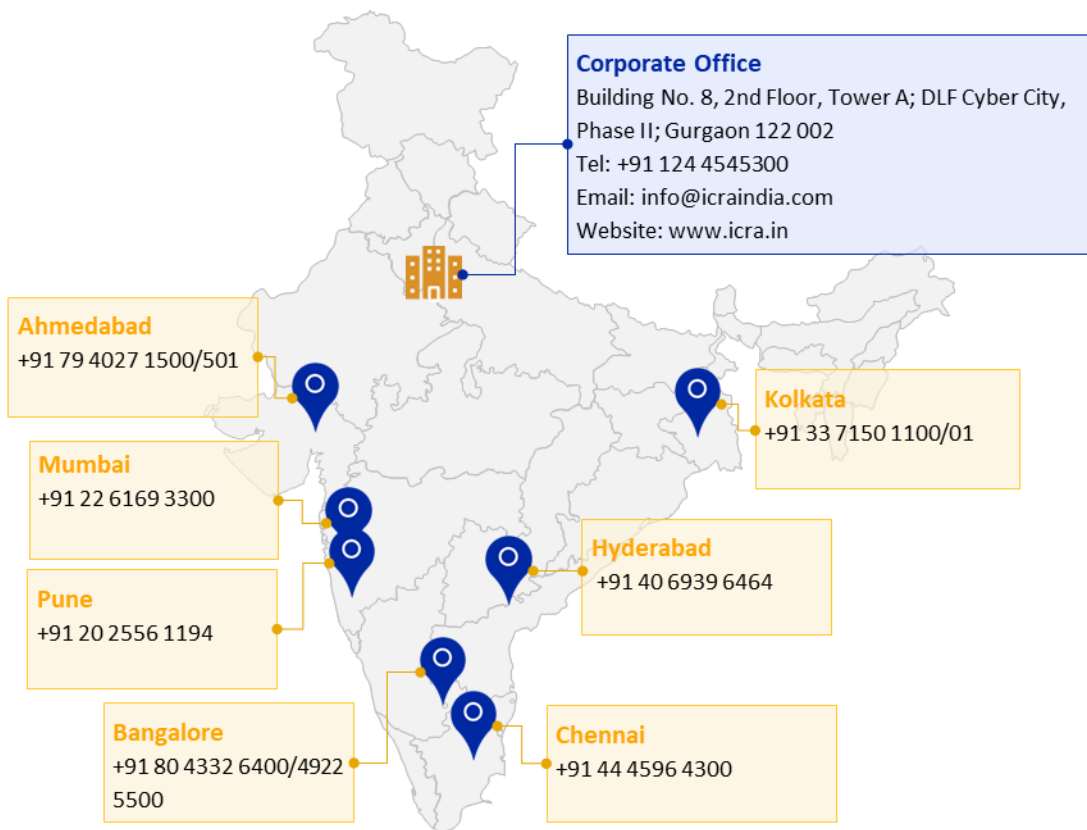
Registered Office

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.