

July 16, 2024

Vriksh Advisors Private Limited: Rating reaffirmed at [ICRA]BB+(SO) for PTCs issued under a lease rental receivables securitisation transaction

Summary of rating action

Trust Name	**Instrument	Initial Rated Amount (Rs. crore)*	Amount O/s after last Surveillance	Current Rated Amount (Rs. crore)	Rating Action
Prosperity Asset 6 Trust	Series 1 PTCs	4.97	NA	2.51	[ICRA]BB+(SO); reaffirmed

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

**Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) originated by Vriksh Advisors Private Limited (Vriksh/Originator/Lessor) are backed by lease rentals from Praba's VCare Health Clinic Private Limited (VCare/Obligor/Lessee) for machineries and equipment. The receivables include all rental payments, including the goods and services tax (GST) component and net of tax deducted at source (TDS), due from the Lessee to the Lessor as per the terms of the Master Rent Agreement (MRA).

The rating reaffirmation factors in the timely payment of lease rentals by the Lessee upto June 2024 payout, the credit profile of the Lessee and the integrity of the legal structure.

Pool performance summary

The PTCs were issued in August 2023 with quarterly payments due from September 2023. The scheduled payments on the PTCs were met in full upto June 2024 without any instance of delays.

Transaction Structure

As per the transaction structure, the rentals payable by the Lessee would be at quarterly intervals over a period of two years. The receivables shall include all lease rental payments due from the Lessee to the Lessor. During the tenor of the transaction, the PTCs will be paid on a quarterly basis; however, both the principal and interest payment on the PTCs are promised on the final maturity date, which is after 24 months from the date of issuance.

Key rating drivers and their descriptions

Credit strengths

Timely rental payments – The lessee has made all the lease payments till date with no delays which is a credit positive for the transaction.

No co-mingling risk – Transaction structure ensures that there is no co-mingling of receivables with the Originator thereby effectively carrying the credit risk of the Lessee.

Adequate buffer between payin and payout dates – Payment structure has adequate cushion of 17- 20 days between the due dates of the rental payments and the corresponding PTC payout dates. Further, there is an additional gap of 66 days between the last payout date and the legal maturity date.

Credit challenges

Single counterparty – The PTCs are backed by lease rental receivables from lease contracts of various equipment and machineries leased by Vriksh to VCare. This pool has a single obligor, and hence the payouts on the instrument are strongly linked to the credit profile of the Lessee (VCare).

Key rating assumptions

To arrive at the rating, ICRA has relied on the credit profile of the Lessee. Also, ICRA has considered the track record of timely payments till date, past track record between Lessor and Lessee and various other structural features of this transaction.

Liquidity position: Adequate

The payment obligations of VCare to Vriksh have been securitised in the current 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 performance of the pool 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 10 LeaseX (leasing transaction via securitization structure is referred to as "LeaseX") opportunities executed in the form of SDI. These 10 transactions had a cumulative value of approx. INR 105 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 seen 26,000 investors invest Rs. 1000+ 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.

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

Praba's VCare Health Clinic Private Limited (VCare) was set up in the year 2004. It is a multi-specialty chain of aesthetic clinics providing International standard U.S FDA approved treatment. The company started its operations in the field of "Beauty and cosmetics" and today it is 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. Currently it has operations in four states (Tamil Nadu, Karnataka, Andhra Pradesh and Telangana) and one union territory (Puducherry) across South India through its 60 clinics including 7 super specialty clinics. The company has treated more than 1.7 million clients and has a team of more than 100 experienced trichologists, cosmetologists, surgeons and a service team with more than 1200 hair & skin experts.

Key financial indicators

Figures in Rs. Crore	FY2022 (audited)	FY2023 (audited)	FY2024 (provisional)
Operating income (OI)	135.9	215.7	257.6
OPBITDA	46.5	66.8	77.1
Depreciation	6.0	5.1	5.7
Interest	17.2	17.2	17.4
Profit after tax (PAT)	21.8	30.7	38.6
Total debt	27.1	40.1	43.5
Tangible net worth (TNW)	35.1	65.8	104.4

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	Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
				July 16, 2024	August 25, 2023	August 08, 2023	-	-
Prosperity Asset 6 Trust	Series 1 PTCs	4.97	2.51	[ICRA]BB+(SO)	[ICRA]BB+(SO)	Provisional [ICRA]BB+(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

Trust Name	Instrument	ISIN	Date of Issuance / Sanction	Coupon Rate [^]	Maturity Date	Amount Rated (Rs. crore)	Rating
Prosperity Asset 6 Trust	Series 1 PTCs	INE0QU815018	August 11, 2023	14.7%	August 10, 2025	2.51	[ICRA]BB+(SO)

[^]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.

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