

August 09, 2024

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

### Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Plutus 2024	PTC Series A1	54.85	[ICRA]A-(SO); provisional rating confirmed as final

\*Instrument details are provided in Annexure I

### Rationale

ICRA had assigned a provisional rating to the pass-through certificates (PTCs) issued by Plutus 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 60.27 crore (pool receivables of Rs 71.68 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 summary

Parameter	Plutus 2024
Months post securitisation	2
Pool amortisation	6.9%
PTC Series A amortisation	7.6%
Cumulative collection efficiency <sup>1</sup>	100%
Loss-cum-0+ dpd (% of initial pool principal) <sup>2</sup>	0.0%
Loss cum 30+ dpd (% of initial pool principal) <sup>3</sup>	0.0%
Loss cum 90+ dpd (% of initial pool principal) <sup>4</sup>	0.0%
Cumulative cash 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. 6.63 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 9.40% of the initial pool principal for PTC series A1.

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

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

<sup>3</sup>Principal outstanding on contracts aged 30+ dpd / Principal outstanding on the pool at the time of securitisation

<sup>4</sup>Principal outstanding on contracts aged 90+ dpd / Principal outstanding on the pool at the time of securitisation

## Key rating drivers and their description

### Credit strengths

**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.

**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. 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.

### 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.

**Risk 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

### 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	Plutus 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

The liquidity for PTC instrument in the transaction is strong after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be ~5.50 times the estimated loss in the pool.

## Rating sensitivities

**Positive factors** – 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** – 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 (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	<a href="#">Rating Methodology for Securitisation Transactions</a>
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
					Aug 09, 2024	Jun 03, 2024			
1	Plutus 2024	PTC Series A1	54.85	54.85	[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 Rated Amount (Rs. crore)	Current Rating
<b>Plutus 2024</b>	PTC Series A1	May 24, 2024	13.25%	March 15, 2026	54.85	[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.

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For more information, visit [www.icra.in](http://www.icra.in)

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