

November 25, 2024

Vistaar Financial Services Pvt Ltd: Rating reaffirmed for SNs issued under small business loans securitisation transaction

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Jiraiya Trust 07 2022	SN Series A1	29.13	15.80	8.53	[ICRA]AA+(SO); reaffirmed

*Instrument details are provided in Annexure I

Rationale

The securitisation notes (SNs) are backed by small business loan receivables originated by Vistaar Financial Services Pvt Ltd (VFSP/Originator; [ICRA]A+(Stable)/[ICRA]A1+). The rating reaffirmation factors in the build-up of the credit enhancement cover over the future SN payouts on account of high amortisation and healthy pool performance. The rating also draws comfort from the fact that the breakeven collection efficiency is lower compared to the actual collection level observed in the pool till the October 2024 payout month.

Pool performance summary

Parameter	Jiraiya Trust 07 2022
Payout month	October 2024
Months post securitisation	27
Pool amortisation	61.53%
SN Series A1 amortisation	70.73%
Cumulative collection efficiency ¹	99.98%
Cumulative prepayment rate	46.18%
Loss-cum-30+ days past due (dpd) ² (% of initial pool principal)	0.00%
Loss-cum-90+ dpd ³ (% of initial pool principal)	0.00%
Cumulative cash collateral (CC) utilisation	0.00%
CC available (as % of balance pool principal)	20.79%
Excess interest spread (EIS) ⁴ (as % of balance pool principal)	48.51%
Principal subordination (% of balance pool principal)	33.81%
Breakeven collection efficiency ⁵	36.63%

Transaction structure

As per the transaction structure, the monthly pool collections shall be used for meeting the promised payouts (defined as interest at predetermined yield and 87.00% of billed principal) to SN Series A1 and then the balance expected principal payouts to SN Series A1 (13.00% of billed principal). All prepayments would be passed on to SN Series A1. An important feature of the transaction is that the yield on SN Series A2 is residual (equivalent to EIS available), thereby extending further support to the transaction.

¹ (Cumulative Current and Overdue Collections till date)/(Cumulative Billing till date + Opening Overdues at the start of the transaction)

² Inclusive of Unbilled and Overdue Principal portion of Delinquent contracts overdue by more than 30 days, as a % of Initial Pool Principal

³ Inclusive of Unbilled and Overdue Principal portion of Delinquent contracts overdue by more than 90 days, as a % of Initial Pool Principal

⁴ (Pool Cash flows – Cash flows to SN investors – Originator's residual share)/Pool Principal outstanding

⁵ (Balance Cash flows payable to investor – CC available)/Balance Pool Cash flows

Reset of credit enhancement

At the request of the originator for resetting the credit enhancement, ICRA has analysed for the transactions at a CC of 6.24% of the balance pool principal (i.e. Rs. 0.80 crore) against the currently available CC of 20.79% of the balance pool principal (after October 2024 payouts). Based on the pool's performance, the rating will remain unchanged even after the reset of the CC amount. The CC reset shall be subject to the approval of the SN investors. However, as per the regulatory guidelines, the amount of the CC that can be released would be restricted to 60% of the difference between the current CC amount and revised CC amount allowed by ICRA.

Key rating drivers and their description

Credit strengths

Significant credit enhancement available in the structure – The rating factors in the build-up in the credit enhancement with the CC increasing to 20.8% of the balance pool principal from 8.0% at the time of securitisation. Internal credit support is also available through principal subordination of 33.8% and excess interest spread (EIS) of 48.5% of the balance pool principal.

Healthy pool performance – The pool's performance has been healthy with a cumulative collection efficiency of 99.98% till the October 2024 payout month, which has resulted in nil delinquencies in the harder bucket with the loss-cum-90+ days past due (dpd; as percentage of initial pool principal) being nil. The breakeven collection efficiency has also declined to 36.6%. Further, there have been no instances of CC utilisation in the pool till date owing to the strong collection performance and the presence of EIS in the transaction.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz. Karnataka, Maharashtra and Andhra Pradesh, contributing ~76% 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.

Exposed to interest rate risk – The transaction is exposed to interest rate risk as the underlying pool has fixed rate loans, whereas yield on SNs is floating (linked to RBI repo rate).

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.

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 their tenure at 1.50% of initial pool principal with certain variability around it. The average prepayment rate for the pool is modelled in the range of 5% to 12% 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

The key counterparties in the rated transaction is as follows:

Transaction Name	Jiraiya Trust 07 2022
Originator	Vistaar Financial Services Pvt Ltd
Servicer	Vistaar Financial Services Pvt Ltd
Trustee	Catalyst Trusteeship Limited
CC holding bank	ICICI Bank
Collection and payout account bank	ICICI Bank

Liquidity position – Superior

The liquidity for the SN instrument is superior after factoring in the credit enhancement available to meet the promised payout to the investors. The total credit enhancement would be more than 10 times the estimated loss in the pool.

Rating sensitivities

Positive factors – Sustained strong collection performance of the underlying pool of contracts 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 rating could be downgraded on the sustained weak collection performance of the underlying pool of contracts, leading to higher-than-expected delinquency levels and credit enhancement utilisation levels. Weakening in the credit profile of the servicer (VFSPL) could also exert pressure on the rating.

Analytical approach

The rating action is based on the performance of the pool till the October 2024 payout month (September 2024 collection month), the present delinquency profile of the pool, the credit enhancement available in the transaction, and the performance expected over the balance tenure of the pool.

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

About the originator

VFSPL is a Bengaluru-based non-banking financial company (NBFC) catering to small businesses. It commenced operations in 2010 with focus on microfinance (MF) loans. However, it shifted its focus to providing loans to micro, small and medium enterprises (MSMEs) in rural and semi-urban areas from April 2011 and stopped disbursing new MF loans from August 2011. The company mainly provides small business mortgage loans (SBMLs). Small businesses funded by VFSPL include trading, kirana/general stores/shops, power/auto/handlooms, dairy and allied products, and small manufacturing units. Warburg Pincus LLC acquired a majority stake in the company in Q1 FY2024, with a shareholding of 90.6% as of May 10, 2023. Warburg Pincus also infused capital of Rs.300 crore in May 2023. VFSPL has appointed Mr. Avijit Saha as its Chief Executive Officer (CEO). The company operates through 212 branches in 12 states/Union Territories, including Tamil Nadu, Karnataka, Maharashtra, Gujarat, Madhya Pradesh, Rajasthan, Odisha, Uttar Pradesh, Andhra Pradesh, Telangana, Haryana and Delhi as of September 2024.

Key financial indicators

Vistaar Financial Services Pvt Ltd	FY2022	FY2023	FY2024
Total income	433.6	538.9	684.7
Profit after tax	74.2	100.0	147.1
AUM	2,419.8	3,132.5	4,054.5
Gross stage 3	2.7%	3.8%	2.7%
CRAR	30.0%	26.4%	33.4%

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

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
				November 25, 2024	November 27, 2023	November 17, 2022	August 02, 2022	-
Jiraiya Trust 07 2022	SN Series A1	29.13	8.53	[ICRA]AA+(SO)	[ICRA]AA+(SO)	[ICRA]AA+(SO)	Provisional [ICRA]AA+(SO)	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
SN 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 Type	Date of Issuance	Coupon Rate*	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Jiraiya Trust 07 2022	SN Series A1	July 31, 2022	9.85%	January 15, 2037	8.53	[ICRA]AA+(SO)

Source: Company; * Floating interest rate linked to RBI Repo

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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