

December 16, 2024

Vriksh Advisors Private Limited: Provisional [ICRA]BBB-(SO) assigned to PTCs backed by lease rental receivables issued by Grip Prosperity Asset 2

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Grip Prosperity Asset 2	Series 1 PTCs	9.21	Provisional [ICRA]BBB-(SO); Assigned

*Instrument details are provided in Annexure I

Rating in the absence of the pending actions/documents	No rating would have been assigned as it would not be meaningful
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Rationale

The pass-through certificates (PTCs) are backed by lease receivables of Rs. 10.70 crore originated by Vriksh Advisors Private Limited (Vriksh/Originator/Assignor/Lessor). The lease receivables are for e-Two Wheelers leased by Vriksh to Blubird Auto Private Limited (Blubird/ Lessee/Rentee/Obligor).

The receivables shall include all rental payments, including the goods and services tax (GST) component (rentals) and net of tax deducted at source (TDS) (if applicable), due from the Lessee to the Lessor as per the terms of the Master Rent Agreement (MRA). The rentals will be discounted at the PTC yield to arrive at the purchase consideration for the PTC investors. As per the terms of the draft MRA to be executed between the Lessor and the Lessee, the payment mechanism is designed to ensure timely payouts to the PTC investors, as per the terms of the transaction. The Lessee's lease rental payment obligations are secured by an unconditional and irrevocable corporate guarantee provided by Lessee's parent (WheelsEMI Private Limited; rated [ICRA]BBB (Stable)). The guarantee would be legally enforceable and would cover the entire amount and tenor of the rated instrument and would have a well-defined invocation and payment mechanism. The guarantee shall be mandatorily invoked by the Trust not later than five days from the occurrence of the any defaults in amounts due under the MRA and the Guarantor will have to act upon the demand of first notice. ICRA also notes that the securitisation trust will be treated as an operational creditor of WheelsEMI in the event of insolvency and bankruptcy proceedings of the latter.

ICRA also takes a note of the other forms of credit enhancement built in the transaction viz i) cash collateral (CC) of 5% of the underlying asset (amounting to Rs. 10 crore) provided by BluBird; ii) cash collateral of 5% of the underlying asset (amounting to Rs. 10 crore) provided by Electrify Mobility (Servicer) *{provision of the same is subject to conditions a) CC provided by BluBird should have been exhausted; b) three months should have lapsed since the occurrence of default by the Obligor during which the Servicer has made efforts resulting in unsuccessful recovery}*; iii) liquidity provision by Vriksh, Electrify Mobility or Grip Invest, however, the same is optional and will be charged at an agreed upon rate of interest; iv) lastly, the underlying assets for the rental agreements have been hypothecated to cover the PTC obligations.

The provisional rating is subject to the fulfilment of all the conditions under the structure and the review of the documentation pertaining to the transaction by ICRA.

Transaction structure

As per the transaction structure, the quarterly cash flow schedule comprises the promised interest payout. The principal is expected to be paid on a quarterly basis but is promised on the final maturity date, which would be 33 months from the date of issuance. The rentals must be deposited in the Collection and Payout Account (CPA) before each expected payout date. In ICRA's view, the cushion of 20 days between the due date of the rental payment under the MRA and the corresponding PTC payout date is sufficient to manage any operational delays in the rental payment by the Lessee, thus ensuring timely payment to the PTC investors. Further, there is an additional gap of more than 90 days between the last payout date and the legal maturity date. In the event of the termination of the MRA, the receivables shall include the termination amount due from the

Lessee to the Lessor as per the terms of the MRA. The termination amount shall mean the present value of all future receivables due on the date of the termination of the MRA (arrived at by discounting the future receivables at 5%). Thus, even under a scenario where the MRA is terminated, the PTC investors will not face any shortfall.

Key rating drivers

Credit strengths

Credit enhancement in form of corporate guarantee: There is credit enhancement available in the form of an unconditional and irrevocable corporate guarantee from the Obligor/Lessee's parent company, WheelsEMI Private Limited (Guarantor; rated [ICRA]BBB (Stable)). The guarantee has a well-defined structure to ensure timely payment of the lease rentals.

No co-mingling of receivables with the originator: The transaction structure ensures that all receivables are transferred to an escrow account. As a result, there is no co-mingling of receivables with the Originator.

In-built cushion in the payment schedule: There is a cushion of 20 business days between the due dates of the rental payments and the corresponding PTC payout dates. There is an additional gap of 90 days between the expected payout date and the legal maturity date.

Credit challenges

Single counterparty: Since the PTCs are backed by lease rentals from a single obligor, the payouts on the PTCs are strongly linked to the credit profile of the obligor or the Guarantor (in case the obligor is unable to make timely lease rental payments).

Key rating assumptions

To arrive at the rating, ICRA has relied on the credit profile of the Guarantor as the lease rental receivables due from the Lessee would be covered by a corporate guarantee by WheelsEMI. The guarantee would be legally enforceable, irrevocable, unconditional, would cover the entire amount and tenor of the rated instrument and would have a well-defined invocation and payment mechanism. The guarantee shall be mandatorily invoked by the Trustee not later than five days from the occurrence of the any defaults in amounts due under the MRA and the Guarantor will have to act upon the demand of first notice.

Liquidity position: Adequate

As per the transaction structure, the principal amount is promised to the PTC holders on the scheduled maturity date of the transaction. The lease rental obligations of BluBird are secured by an unconditional and irrevocable corporate guarantee of WheelsEMI. The liquidity position for Series 1 PTCs is adequate after factoring in the credit enhancement available for meeting the promised payouts to the investor.

Rating sensitivities

Positive factors – Rating can be upgraded if there is an improvement in the credit profile of the Guarantor.

Negative factors – The rating can be downgraded if there is a deterioration in the credit profile of the Guarantor or in case of 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 Guarantor.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions Rating Approach - Explicit third-party support
Parent/Group support	Parent: WheelsEMI Private Limited Explicit support in the form of corporate guarantee for the obligations of the Lessee
Consolidation/Standalone	Not Applicable

Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned rating is provisional and would be converted into final upon the execution of:

1. Trust deed
2. Assignment Agreement
3. Servicing Agreement
4. Accounts agreement
5. Corporate Guarantee
6. Trustee letter
7. Legal opinion
8. Master Rental Agreement
9. Any other documents executed for the transaction

Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at www.icra.in.

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. Rs. 100 crore and involved 20 Lessees with monthly and 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 nearly 30,000 investors to invest Rs 1200+ crore since its launch 5 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 such as Stride Ventures, Venture Highway, AdvantEdge, Anicut Capital,

Nueva Capital, ITI Growth, and Multiply Ventures. Grip leverages its experience in identifying and managing leasing transactions entered between Vriksh and various Lessees.

Key financial indicators

Figures in Rs. Crore	FY2022 (audited)	FY2023 (audited)	FY2024 (audited)
Total Income	0.06	0.15	0.79
Depreciation	-	-	-
Interest	-	0.92	2.74
Profit After Tax (PAT)	(0.03)	(3.28)	(7.94)
Total Debt	-	23.31	14.78
Net Worth	1.61	(1.66)	(9.60)

Amount in Rs. crore; All calculations are as per ICRA Research

Source: Company, ICRA Research

About the Guarantor

WheelsEMI is a Pune based, registered non-deposit taking non-banking finance company (NBFC-ND) which provides financing for new as well as pre-owned two-wheelers. Bike Bazaar Finance is the brand name of WheelsEMI Private Limited. The company is promoted by Mr. Srinivas Kantheti and Mr. V Karunakaran who acquired Vardnarayan Savings and Investment Co Pvt Ltd., a small finance company based out of Nanded, Maharashtra with a loan book of Rs. 35 lakh (at the time of acquisition) in 2017. The company has a 100% stake in BluBird.

About the Lessee

Incorporated in April 2019, BluBird Auto Trade Private Limited (BluBird) is primarily in the business of leasing and renting e-Two Wheelers to mainly logistics companies. It also buys and sells refurbished e-Two Wheelers. The company operates as a wholly owned subsidiary of WheelsEMI Private Limited. The company's leasing activity is being mainly carried out in Bengaluru and Hyderabad and it is looking to expand its footprint to other cities such as Cochin.

Key financial indicators

Figures in Rs. Crore	FY2022 (audited)	FY2023 (audited)	FY2024 (audited)
Operating Income (OI)	11.1	4.2	2.2
OPBITDA	-10.7	-6.4	-1.3
Depreciation	0.1	0.3	1.3
Interest	0.0	0.2	0.4
Profit After Tax (PAT)	-10.9	-6.9	-2.8
Total Debt*	1.0	1.5	4.1
Tangible Net Worth (TNW)	0.6	3.7	3.9

Amount in Rs. Crore; *Lease liabilities

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 Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
					December 16, 2024	-	-	-
1	Grip Prosperity Asset 2	Series 1 PTCs	9.21	9.21	Provisional [ICRA]BBB-(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	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating
Grip Prosperity Asset 2	Series 1 PTCs	November 2024	13.3%	September 1, 2027	9.21	Provisional [ICRA]BBB-(SO)

Source: Company, ICRA Research

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.

For more information, visit www.icra.in

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