

February 11, 2025^(Revised)

Vedika Credit Capital Ltd: Rating upgraded for SNs issued under a microfinance loan securitisation transaction

Summary of rating action

Trust Name	Instrument*	Initial amount (Rs. crore)	Previous Rated Amount (Rs. crore)	O/s after Jan-25 payout (Rs. crore)	Rating Action
Sky 01 2024 Trust	Series A1 SN	30.15	30.15	9.07	[ICRA]A+(SO); upgraded from [ICRA]A(SO);

*Instrument details are provided in Annexure I

Rationale

The Security Notes (SNs) are backed by a pool of microfinance loan receivables originated by Vedika Credit Capital Ltd (Vedika/Originator). Vedika also acts as the servicer for the transaction.

The rating upgrade takes into account the significant build-up of the credit enhancement cover over the future SN payouts due to high pool amortisation, and the sustained healthy collections and nil 90+ delinquency observed in the pool. The breakeven collection efficiency is also comfortably lower compared to the actual collection levels observed in the pool.

Pool performance summary

Particulars	Sky 01 2024 Trust
Payout month	Jan 2025
Months post securitisation	12
Pool amortisation	62.84%
PTC Series A1 amortisation	69.92%
Cumulative collection efficiency ¹	99.88%
Loss-cum-0+ dpd ² (% of initial pool)	0.64%
Loss-cum-30+ dpd ³ (% of initial pool)	0.16%
Loss-cum-90+ dpd ⁴ (% of initial pool)	0.00%
Cumulative cash collateral (CC) utilisation	0.00%
Cumulative prepayment rate	0.00%
Breakeven collection efficiency ⁵ for PTC Series A1	42.73%
CC (% of balance pool)	29.60%
Principal subordination (% of balance pool) PTC Series A1	27.15%
Excess interest spread (EIS ⁶ ; % of balance pool) PTC Series A1	4.96%

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 0 days, as a % of initial pool principal

³ Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 30 days, as a % of initial pool principal

⁴ Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 90 days, as a % of initial pool principal

⁵ (Balance cash flows payable to investor – CC available)/Balance pool cash flows

⁶ (Pool cash flows – Cash flows to PTC investors – Originator's residual share)/Pool principal outstanding

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. The residual cash flow available, after making the promised and expected payments, shall flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of Series A1 PTC principal.

Key rating drivers and their description

Credit strengths

Substantial credit enhancement available in the structure - The rating factors in the build-up in the credit enhancement with the subordination increasing to 27% of the balance pool principal from 10% at the time of securitisation. Credit support is also available through credit collateral (CC) of 29% and excess interest spread (EIS) of ~5% of the balance pool principal.

Adequate servicing capability of Vedika –The company has adequate processes for servicing of the loan accounts in the securitised pool. It has demonstrated long track record of regular collections and recovery across geography and multiple economic cycles.

Healthy pool performance – Performance of the pool has been strong with cumulative collection efficiency of ~99% till January 2024 payout month. The break-even collection efficiency has also declined to ~42%. Further, there have been no instances of cash collateral utilisation for the pool till date owing to strong collection performance.

Credit challenges

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 risks.

Performance of past rated pools: ICRA has rated eight standalone PTC transactions of Vedika in the past, including five which have matured. The live pools have 100% cumulative collection efficiency with nil CC utilisation as per the April 2024 payouts.

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 pools, ICRA has estimated following shortfall in the pool principal collection during their tenure at 1.25% of initial POS. The average prepayment rate for the underlying pool is modelled in the range of 3% to 9% 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 are as follows:

Transaction name	Sky 01 2024 Trust
Originator	Vedika Credit Capital Ltd
Servicer	Vedika Credit Capital Ltd
Trustee	MITCON Credentia Trusteeship Services Limited
CC holding bank	Federal Bank Limited
Collection and payout account bank	Federal Bank Limited

Liquidity position: Superior

The liquidity for Series A1 SN is superior after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be more than 10 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 could also exert pressure on the rating.

Analytical approach

The rating action is based on the performance of the pool till Nov 2024 (collection month), the present delinquency levels and the credit enhancement available in the pool, 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

Vedika Credit Capital Ltd is a Non-Deposit taking, Non-Banking Finance Company. 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 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 who stopped stock broking activities and started finance activities purchased the company. The purchasers of the Company were carrying out financing activity through Sole Proprietorship form of business organization. All the business thereafter was diverted to Vedika. Since 2007, the company is into Micro Finance product like Joint Liability Groups loans and Individual Loans. As of H1FY2025, the company's AUM stood Rs. 1412 crore.

Key financial indicators (IndAS)

Particulars	FY2023	FY2024	H1FY2025
	(Audited)	(Audited)	(Provisional)
Total income	166.6	229.2	124.5
Profit after tax	17.0	27.9	17.9
Total managed Assets	1,260.7	1,645.1	1,733.8
CRAR	22.6%	23.5%	30.6%
GS3 (Gross Stage 3 NPA)	0.9%	0.7%	1.6%

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

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)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024			Date & Rating in FY2023
					Feb 11, 2025	Feb 26, 2024	Jan 29, 2024	-	
1	Sky 01 2024 Trust	Series A1 SN	30.15	9.07	[ICRA]A+(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	

Complexity level of the rated instrument

Transaction	Instrument	Complexity Indicator
Sky 01 2024 Trust	Series A1 SN	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 Name	Date of Issuance	Coupon Rate (p.a.p.m.)	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Sky 01 2024 Trust	Series A1 SN	29 Jan 2023	11.25%	20 Jun 2026	9.07	[ICRA]A+(SO)

* Scheduled maturity at transaction initiation; may change on account of prepayment

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

Corrigendum:

Document dated 11th February 2025 has been added with the revision below:

1. Sections added:

‘Transaction structure’ on page 2 and ‘Details of key counterparties’ on page 3 of the rationale.

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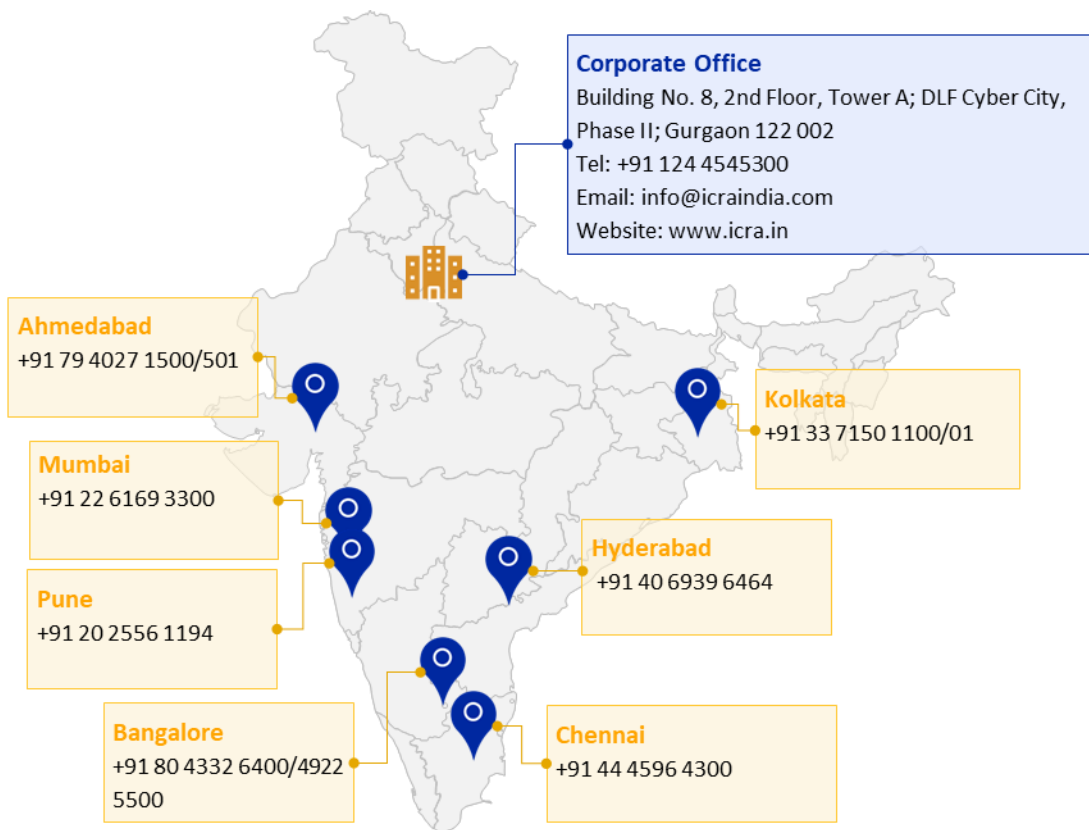
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