

December 13, 2021

Scient Capital Private Limited: Rating confirmed as final/withdrawn for PTCs backed by non-convertible debenture receivables

Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Pyxis Fixed Income Trust	PTC Series A1	5.13	5.13	[ICRA]BB+(SO); provisional rating confirmed as final
	PTC Series A1	0.22	0.00	Provisional [ICRA]BB+(SO); withdrawn

*Instrument details are provided in Annexure-1

Rationale

In October 2021, ICRA had assigned a Provisional [ICRA]BB+(SO) rating to the Rs. 5.35-crore pass-through certificate (PTC) Series A1 to be issued by Pyxis Fixed Income Trust under a collateralised bond obligation (CBO) transaction, wherein the seller is Scient Capital Private Limited (SCPL). ICRA notes that SCPL has assigned the future receivables to Pyxis Fixed Income Trust, with an underlying pool principal of Rs. 5.13 crore (as on December 2, 2021) against the initially rated amount of Rs. 5.35 crore (as on October 6, 2021), arising from the non-convertible debentures (NCDs) issued by three entities, viz. Spandana Sphoorty Financial Limited {[ICRA]A- (Stable)}, Oxyzo Financial Services Private Limited ([ICRA]A+ (Stable)/[ICRA]A1+) and Sadbhav Engineering Limited (unrated).

Since the executed transaction documents for the Rs. 5.13-crore PTCs are in line with the rating conditions and the legal opinion for the transaction has been provided to ICRA, the rating for the Rs. 5.13-crore PTCs has now been confirmed as final. ICRA has withdrawn the rating assigned to the balance PTC amount of Rs. 0.22 crore as the same has not been issued.

Key rating drivers

Credit strengths

- Diversity among borrower entities in terms of the varied nature of business

Credit challenges

- High obligor concentration in the pool (top obligor constitutes ~37% of pool principal)
- No external credit enhancement in the structure

Description of key rating drivers highlighted above

As per the transaction structure, the monthly cash flow schedule comprises the expected principal and interest payment to PTC Series A1. The principal payment would be senior to the interest payment and any shortfall in making the expected principal and interest payment to PTC Series A1 in a particular payout would be carried forward to the subsequent payout. On the final maturity date, only the principal is promised on the PTCs while the entire yield is on an expected basis. Hence, the rating assigned by ICRA addresses the timely payment of the entire principal to the PTC investors by the final maturity date.

There is no external credit enhancement available in the structure. The only form of credit enhancement available in the transaction is the excess interest spread (EIS) arising out of the fact that the interest to be paid on the PTCs, after paying the Trust expenses, is only expected and not promised (i.e. the pool yield less the Trust expenses would be the PTC yield/EIS).

component). However, the expected interest would still be paid to the investor each month; thus, the EIS of any month is not available to support any shortfall in subsequent months.

The entities, the NCDs of which have been assigned to Pyxis Fixed Income Trust, have standalone ratings across the A and BB rating categories. Further, the transaction comprises NCD contracts issued by only three entities, indicating high concentration risk. Also, the obligor concentration for the NCD contracts in the initial pool is high with the top obligor constituting 37.4% of the pool principal. Hence, any deterioration in the credit quality of the individual entities in the pool to a rating level below the rating assigned to the PTCs would have a bearing on the credit quality of the rated PTCs.

Key rating assumptions

ICRA's rating (or shadow rating) on the entities has been taken into account while assigning the rating to the PTCs. There is no external credit enhancement in the structure; hence, the default probability on the PTC payout is considered to be in line with the default probability of the lowest-rated entity in the pool.

Liquidity position: Stretched

Considering the liquidity profile of the weakest entity in the structure, the liquidity position for PTC Series A1 is considered to be stretched for meeting the promised principal payouts.

Rating sensitivities

Positive factors – An improvement in the credit profiles of the underlying entities could lead to an upgrade in the PTC rating.

Negative factors – A deterioration in the credit profiles of the underlying entities could lead to pressure on the PTC rating.

Analytical approach

The rating action is 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	ICRA Rating Methodology for Collateralised Debt Obligations ICRA's Policy on Withdrawal of Rating
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

About the company

Scient Capital Private Limited (SCPL) is an alternate asset management firm. It uses research and structuring to create investment products for different categories of investors. The company's offerings are designed to complement the investor's core portfolio. On the debt side, these include high-yield debt and intermediate-yield debt, which complement debt mutual funds and tax-free bonds. The equity side covers early-stage venture capital and international investments, which help investors diversify beyond listed Indian equities.

Key financial indicators: Not applicable

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Trust Name	Current Rating (FY2022)					Chronology of Rating History for the Past 3 Years		
	Instrument	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2022		Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
				December 13, 2021	October 12, 2021			
Pyxis Fixed Income Trust	PTC Series A1	5.13	5.13	[ICRA]BB+(SO)	Provisional [ICRA]BB+(SO)	-	-	-
	PTC Series A1	0.22	0.00	Provisional [ICRA]BB+(SO); withdrawn	Provisional [ICRA]BB+(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: www.icra.in

Annexure-1: Instrument details

ISIN	Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate*	Maturity Date	Amount Rated (Rs. crore)	Current Rating
INE0JXS15015	Pyxis Fixed Income Trust	PTC Series A1	October 2021	7.73%	March 2024	5.13	[ICRA]BB+(SO)
NA	Pyxis Fixed Income Trust	PTC Series A1	NA	NA	NA	0.00	Provisional [ICRA]BB+(SO); withdrawn

*Expected yield to maturity

Annexure-2: 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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Branches



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