

August 26, 2022

Vistaar Financial Services Pvt Ltd: Ratings reaffirmed for PTC Series A1 and PTC Series A2 backed by small business mortgage loan receivables issued by CredAvenue Daisy 05 2021

Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Amount after Jul-22 Payout (Rs. crore)	Rating Action
CredAvenue Daisy 05 2021	PTC Series A1	13.17	NA	5.75	[ICRA]AA(SO); reaffirmed
	PTC Series A2	0.38	NA	0.38	[ICRA]A(SO); reaffirmed

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by a small business mortgage loan pool originated by Vistaar Financial Services Pvt Ltd (VFSPL; rated [ICRA]A (Stable)/[ICRA]A1). The reaffirmation of the ratings for the PTCs is on account of the healthy performance of the pool till the July 2022 payouts and the build-up of the credit enhancement in the transaction owing to pool amortisation. The breakeven collection efficiency is also comfortable compared to the actual collection levels observed in the pool.

Pool performance summary

Parameter	CredAvenue Daisy 05 2021
Months post securitisation	13
Pool amortisation (as % of initial pool principal)	49.31%
PTC amortisation	
PTC Series A1	56.36%
PTC Series A2	0.00%
Cumulative collection efficiency ¹	99.97%
Loss-cum-90+ dpd ² (% of initial pool)	0.00%
Loss-cum-180+ dpd ³ (% of initial pool)	0.00%
Average monthly prepayment rate	3.06%
Cumulative cash collateral utilisation	0.00%
Breakeven collection efficiency ⁴	
– For PTC Series A1	45.00%
– For PTC Series A2	49.72%
Cash Collateral (% of balance pool)	15.78%
Excess Interest Spread (% of balance pool) ⁵	
– For PTC Series A1	46.54%
– For PTC Series A2	44.01%
Principal Subordination (% of balance pool principal)	
– For PTC Series A1	24.67%
– For PTC Series A2	19.74%

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 contracts delinquent for more than 90 days, as a % of Initial Pool Principal

³ Inclusive of Unbilled and Overdue Principal portion of contracts delinquent for more than 180 days, as a % of Initial Pool Principal

⁴ (Balance Cash flows payable to investor – Cash collateral available)/ Balance Pool Cash flows

⁵ (Pool Cash flows – Cash flows to PTCs)/ Pool Principal outstanding

Key rating drivers

Credit strengths

- Healthy amortisation of pool resulting in build-up of cash collateral (CC), subordination and Excess Interest Spread (EIS) cover available for the balance PTC payouts.
- Healthy collection efficiency exhibited by the pool;

Credit challenges

- High geographical concentration with top three states contributing to 68% of the pool principal
- Pool performance will remain exposed to any fresh disruptions that may arise from the Covid-19 pandemic.

Description of key rating drivers highlighted above

The performance of the pool has been healthy with a cumulative collection efficiency of 99.97% till the July 2022 payout month. The loss-cum-90+ dpd has remained sub0.5% in all months. The pool has seen healthy amortisation of ~49% after the July 2022 payouts. Thus, the credit enhancement (as a percentage of the balance pool principal) has also built up in the transaction. As there has not been any shortfall in the collections to meet the promised payouts in this transaction, there has been no instance of CC utilisation till the July 2022 payouts. The balance pool has high geographical concentration with the top 3 states accounting for 68% of the pool principal. The pool has seen higher prepayments with an average prepayment rate of almost 3%. Also, the performance of the pool would remain exposed to any fresh disruptions that may arise on account of the pandemic.

Overall, the credit enhancement available for meeting the balance payouts to the investors is sufficient to reaffirm the rating at the current rating level in the transaction. ICRA will continue to monitor the performance of the pool. Any further rating action will be based on the performance of the pool and the availability of credit enhancement relative to ICRA's expectations.

Past rated pools' performance: ICRA has rated 13 securitisation transactions with the underlying receivables originated by VFSPL. The matured pools reported a loss-cum-90+ dpd of less than 5% with no CC utilisation till the last payout date. The live pools have a satisfactory cumulative collection efficiency while the cumulative CC utilisation was nil as of the July 2022 payout.

Key rating assumptions

ICRA's cash flow modelling for rating asset-backed securitisation (ABS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the balance tenor of the pool) and prepayments in the pool. The assumptions for the loss and coefficient of variation (CoV) are arrived at after taking into account the past performance of the originator's portfolio and the rated pools as well as the performance and characteristics of the specific pool being evaluated. Additionally, the assumptions may be adjusted to factor in the current operating environment and any industry-specific factors that ICRA believes could impact the performance of the underlying pool of contracts.

After making these adjustments, the expected mean shortfall in principal collection during the tenure of the pool is estimated at 2.0-3.0%, with certain variability around it. The prepayment rate for the underlying pool is estimated in the range of 12.0-18.0% per annum.

Liquidity position: Strong

As per the transaction structure, only the interest amount is promised to the PTC Series A1 holders on a monthly basis while the principal amount is promised on the scheduled maturity date of the transaction. Further, after PTC Series A1 is fully paid, the interest amount is promised to the PTC Series A2 holders on a monthly basis and the principal amount is promised on the scheduled maturity date of the transaction. The cash flows from the pool and the available credit enhancement are expected

to be comfortable to meet the promised payouts to the PTC investors.

Rating sensitivities

Positive factors – The 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 ratings upgrade.

Negative factors – The sustained weak collection performance of the underlying pool of contracts leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a ratings downgrade.

Analytical approach

The rating action is based on the analysis of the performance of VFSPL's portfolio till June 2022, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the credit enhancement cover available in the transaction.

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

About the company

VFSPL is a Bengaluru-based non-banking financial company (NBFC) catering to small businesses. It commenced operations in 2010 with a 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 kirana/general stores/shops, power/auto/handlooms, dairy and allied products, and small manufacturing units.

VFSPL is promoted by Mr. Brahmanand Hegde and Mr. Ramakrishna Nishtala, who have prior experience in the retail lending business. The company received capital of Rs. 25 crore from two private equity (PE) investors till March 2012. It subsequently raised additional capital of Rs. 40 crore as compulsorily convertible preference shares (CCPS) in FY2013 and Rs. 160 crore in Q1 FY2015. In FY2016, VFSPL received another capital infusion of about Rs. 250 crore from the existing investors. As of March 2022, VFSPL had 191 branches in 12 states/Union Territories, including Tamil Nadu, Karnataka, Maharashtra, Gujarat, Madhya Pradesh, Rajasthan, Odisha, Uttar Pradesh, Andhra Pradesh, Telangana, Haryana and Delhi.

Key financial indicators (audited)

Vistaar Financial Services Pvt Ltd	FY2020	FY2021	FY2022
Total income	368.4	390.8	433.6
Profit after tax	45.0	64.8	74.2
Total managed assets ⁶	2,104.4	2,438.0	2,936.7
Gross Stage 3	3.7%	3.2%	2.7%
Net Stage 3	2.5%	2.2%	1.9%

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

⁶ Total managed assets = Total assets + Off-book assets under management

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Trust Name	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years			
	Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2023	Date & Rating in FY2022		Date & Rating in FY2021	Date & Rating in FY2020
				August 26, 2022	August 13, 2021	July 05, 2021		
CredAvenue Daisy 05 2021	PTC Series A1	13.17	5.75	[ICRA]AA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-
	PTC Series A2	0.38	0.38	[ICRA]A(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A1	Moderately Complex
PTC Series A2	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 I: Instrument details

Issue Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
CredAvenue Daisy 05 2021	PTC Series A1	June 2021	8.75%	March 2035	5.75	[ICRA]AA(SO)
	PTC Series A2		13.20%		0.38	[ICRA]A(SO)

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

Annexure II: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Abhishek Dafria

+91 22 6114 3440

abhishek.dafria@icraindia.com

Gaurav Mashalkar

+91 22 6114 3431

gaurav.mashalkar@icraindia.com

Priya Gounder

+91 22 6114 3454

priya.gounder@icraindia.com

Ritu Rita

+91 22 6114 3409

ritu.rita@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee

+91 80 4322 6401

jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2022 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.