

August 30, 2022

Vivriti Capital Private Limited: Change in limits

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Market Linked Debentures (MLD)	81.00	81.00	PP-MLD[ICRA]A (Stable); outstanding
Non-convertible Debentures (NCDs)	438.00	438.00	[ICRA]A (Stable); outstanding
Long Term – Fund based CC	50.00	55.00	[ICRA]A (Stable); outstanding
Long Term – Term loans	1050.00	1045.00	[ICRA]A (Stable); outstanding
NCDs	46.49	46.49	[ICRA]AA+(CE) (Stable); outstanding
MLD	75.00	75.00	PP-MLD [ICRA]AA+(CE) (Stable); outstanding
MLD	50.00	50.00	PP-MLD [ICRA]AA+(CE) (Stable); outstanding
MLD	50.00	50.00	PP-MLD [ICRA] AA+(CE) (Stable); outstanding
Total	1,840.49	1,840.49	

* Instrument details are provided in Annexure I; For credit enhanced ratings of the entity, refer to the rationales given under the Structured Finance section [here](#). The letters, PP-MLD, prefixed to a rating symbol stand for principal protected market linked debentures. According to the terms of the rated instrument, the amount invested, i.e. the principal, is protected against erosion while the returns on the investment could vary, being linked to movements in one or more variables such as equity indices, commodity prices, and/or foreign exchange rates. The rating assigned expresses ICRA's current opinion on the credit risk associated with the issuer concerned. The rating does not address the risks associated with variability in returns resulting from adverse movements in the variable(s) concerned

Rationale

ICRA has taken a limited consolidation approach vis-à-vis the full consolidation approach followed in the past for assessing Vivriti Capital Private Limited (Vivriti). Under the full consolidation approach, ICRA was factoring in the consolidated risk profile of Vivriti and its subsidiaries, namely CredAvenue Private Limited (CAPL) and Vivriti Asset Management Private Limited (VAM). CAPL raised equity in September 2021 and March 2022 and Vivriti's share in CAPL consequently reduced to 51% (on a fully-diluted basis as of March 2022). Following this, Vivriti has not retained control on CAPL and has classified it as an associate. Further, Vivriti's holdings in CAPL are expected to be demerged going forward, with Vivriti's shareholders having direct holdings in CAPL. VAM also raised equity capital in Q1 FY2023 and Vivriti holds a stake of 66.66% as on date. VAM is expected to remain Vivriti's subsidiary, going forward. Under the limited consolidation approach, ICRA has factored in only the expected funding support (equity or debt) from Vivriti to VAM. In ICRA's view, VAM is expected to remain self-sufficient in the near term and funding support from Vivriti is expected to be modest.

The rating action takes into consideration the increase in Vivriti's scale of operations and the improvement in its earnings performance. Its assets under management (AUM) increased to Rs. 3,880 crore in March 2022 from Rs. 1,905 crore in March 2021 (Rs. 1,009 crore in March 2020), while its return on average managed assets improved to 1.9% in FY2022 from 1.6% in FY2021. The earnings performance was supported by the improvement in the operating efficiency and lower credit cost. ICRA, however, notes the pressure on the company's margins; a sustained performance in an increasing interest rate environment would be key from an earnings perspective.

Vivriti has steep growth plans with the AUM expected to growth at a cumulative average growth rate (CAGR) of about 50% over the next two years. It raised equity of about Rs. 537 crore over FY2022 and Q1 FY2023, which has helped it keep its capital profile under control even as the AUM expanded at a steep rate. The company has raised a total of Rs. 1,297 crore since its incorporation in 2018. Considering the growth plans, Vivriti would be required to raise capital regularly, going forward, as it intends to keep its managed gearing below 4x. Vivriti's liquidity profile is adequate at present and it has been able to improve

its lender base significantly in the recent past. It also expects to secure funding from overseas/international lenders going forward, which is expected to drive the expected growth in the AUM and improve its earnings profile.

The ratings also take into consideration Vivriti's exposure to borrowers with a moderate risk profile. However, portfolio concentration has moderated with the top 20 exposures reducing to 26% of the AUM in March 2022 vis-à-vis 29% in March 2021 (42% in March 2020). The concentration is envisaged to reduce further going forward. Vivriti's credit exposures are largely to small-and-mid-sized non-banking financial companies (NBFCs) and enterprises (other than financial sector entities) and it had disbursed about Rs.8,705 crore since inception (of which Rs. 1,183 crore were disbursed to non-financial enterprises over the last two years). Vivriti has maintained a healthy asset quality with gross stage-3 of 0.3% as of March 2022. ICRA also takes note of the steady increase in the share of non-financial enterprises and retail (via co-lending arrangements and direct assignment transactions) in the overall AUM; the performance of the exposures to non-financial enterprises would remain a monitorable.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities, Key financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies Limited Consolidation Approach
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of Vivriti. However, in line with ICRA's limited consolidation approach, the funding requirement of its subsidiary VAM, if any, going forward, has been factored in.

About the company

Vivriti Capital Private Limited is a registered non-deposit taking systemically important non-banking financial company (NBFC-ND-SI). Promoted by Mr. Vineet Sukumar and Mr. Gaurav Kumar in June 2017, Vivriti provides diverse debt financing solutions including loans, working capital finance and trade finance to NBFCs and other enterprises. It has also started expanding its presence in the retail segment through various co-lending partnerships with other NBFCs.

In FY2022, on a standalone basis, Vivriti reported a net profit of Rs. 67.4 crore on total managed assets of Rs. 4,824.4 crore while it reported a net profit of Rs. 30.0 crore on total managed assets of Rs. 2,244.6 crore in FY2021.

Vivriti has a subsidiary, VAM, which manages alternative investment funds (AIFs). VAM manages seven funds with a combined AUM of Rs. 1,270.5 crore as on March 31, 2022. In Q3 FY2021, Vivriti demerged its technology platform into a subsidiary company, CAPL. CAPL raised its first round of capital of Rs. 661 crore from various private equity investors including Lightspeed, Lightrock, TVS Capital, etc, in September 2021. On the basis of the shareholders' agreement, Vivriti did not retain control over CAPL, which became an associate of the company from September 2021.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

S. No.	Instrument	Type	Current Rating (FY2023)			Chronology of Rating History for the Past 3 Years					
			Amount Rated	Amount Outstanding	Date & Rating in FY2023	Date & Rating in FY2023	Date & Rating in FY2022		Date & Rating in FY2021	Date & Rating in FY2020	
			(Rs. crore)	(Rs. crore)	Aug-30-2022	Jul-01-2022	Dec-22-2021	Aug-03-2021	Mar-19-2021	Feb-17-2020	Jul-04-2019
1	NCD	Long term	438.00	438.00	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)
2	MLD	Long term	81.00	81.00	PP-MLD[ICRA]A (Stable)	PP-MLD[ICRA]A (Stable)	PP-MLD[ICRA]A- (Positive)	PP-MLD[ICRA]A- (Stable)	PP-MLD[ICRA]A- (Stable)	PP-MLD[ICRA]A- (Stable)	PP-MLD[ICRA]A- (Stable)
3	Long-term fund-based CC	Long term	55.00	55.00	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)
4	Long-term fund-based TL	Long term	1,045.00	1,045.00	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)
5	Long-term-Unallocated	Long term	0.00	0.00	-	-	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)

For credit enhanced ratings of the entity, refer to the rationales given under the Structured Finance section [here](#)

Complexity level of the rated instrument

Instrument	Complexity Indicator
Non-convertible Debenture – Market Linked Debenture	Moderately Complex
Non-convertible Debenture	Simple
Long Term – Fund based CC	Simple
Long Term – Term loans	Simple

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

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long term - Term loans	Mar-19-2021	NA	Dec-31-2024	1,045.00	[ICRA]A (Stable)
NA	Long-term fund-based CC	NA	NA	NA	55.00	[ICRA]A (Stable)
INE01HV07148	NCD	Feb-02-2021	10.57%	Feb-02-2024	10.00	[ICRA]A (Stable)
INE01HV07031	NCD	Aug-16-2019	11.50%	Aug-16-2021*	10.00	[ICRA]A (Stable)
INE01HV07049	NCD	Aug-26-2019	12.12%	Aug-26-2022	20.00	[ICRA]A (Stable)
INE01HV07114	NCD	Dec-16-2020	10.00%	Jun-16-2022*	40.00	[ICRA]A (Stable)
INE01HV07122	NCD	Dec-31--2020	10.25%	Jun-30-2022	20.00	[ICRA]A (Stable)
INE01HV07148	NCD	Feb-10-2021	10.57%	Feb-10-2024	10.00	[ICRA]A (Stable)
INE01HV07163	NCD	Mar-18-2021	11.25%	Jul-25-2022	40.00	[ICRA]A (Stable)
INE01HV07189	NCD	May-25-2021	10.50%	Aug-25-2022	30.00	[ICRA]A (Stable)
Unutilised	NCD	NA	NA	NA	258.00	[ICRA]A (Stable)
INE01HV07064	MLD	Feb-13-2020	NIFTY LINKED	Aug-13-2021*	5.35	PP-MLD[ICRA]A (Stable)
INE01HV07106	MLD	Nov-27-2020	NIFTY LINKED	Nov-27-2022	10.00	PP-MLD[ICRA]A (Stable)
Unutilised	MLD	NA	NA	NA	65.65	PP-MLD[ICRA]A (Stable)

Source: Company

*ICRA is awaiting the relevant documentation from the company on these recently matured securities for withdrawal of the ratings outstanding

Annexure II: List of entities considered for limited consolidated analysis

Company Name	Vivriti Ownership	Consolidation Approach
Vivriti Asset Management Private Limited	66.66%	Limited Consolidation

Source: Company

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