

September 26, 2022

## Scient Capital Private Limited: Rating downgraded for PTCs backed by non-convertible debenture receivables

### Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Pyxis Fixed Income Trust	PTC Series A1	5.13	3.52	2.14	[ICRA]B-(SO); downgraded from [ICRA]B+(SO)

\*Instrument details are provided in Annexure-I

### Rationale

ICRA has downgraded the rating for the pass-through certificates (PTCs) issued under a collateralised bond obligation (CBO) transaction, wherein the seller is Scient Capital Private Limited (SCPL). The underlying pool is backed by non-convertible debentures (NCDs) receivables issued by three entities, viz. Spandana Sphoorty Financial Limited {[ICRA]A-&<sup>1</sup>}, Oxyzo Financial Services Private Limited ([ICRA]A+(Stable)/[ICRA]A1+) and Sadbhav Engineering Limited (unrated). Post 05 September 2022 payout, NCDs issued by Spandana Sphoorty Financial Limited and Sadbhav Engineering Limited (SEL) only remain as part of the pool. The rating downgrade is on account of the deterioration in the credit profile of one of the underlying obligors in the pool, viz. SEL, owing to delays in its fund raising/asset monetisation plans and weakening of debt coverage and profitability metrics which has resulted in the entity delaying its debt repayments on certain bank facilities. ICRA notes that SEL has met its payments on the NCDs forming part of the pool till date in a timely manner.

A summary of the performance of the pool till the 05-Sep-22 payout has been tabulated below.

### Pool performance summary

Parameter	Pyxis Fixed Income Trust
Months post securitisation	9
Pool amortisation	58.78%
Cumulative collection efficiency <sup>2</sup>	100.00%
Cumulative prepayment rate (% of initial pool)	0.00%
Loss-cum-0+ dpd <sup>3</sup> (% of initial pool)	0.00%

### Key rating drivers and their description

#### Credit strengths

- Diversity amongst the borrower entities in terms of the varied nature of businesses

#### Credit challenges

- High obligor concentration in the pool (top obligor constitutes ~95% 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

<sup>1</sup> Rating on watch with developing implications

<sup>2</sup> (Cumulative Current and Overdue Collections till date)/(Cumulative Billing till date + Opening Overdues at the start of the transaction)

<sup>3</sup> Inclusive of Unbilled and Overdue Principal portion of delinquent contracts, as a % of Initial Pool Principal

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 and thus the EIS of any month is not available to support any shortfall in subsequent months.

The transaction post 05-Sep-22 payout has only two entities remaining as part of the pool, viz. Spandana Sphoorty Financial Limited and SEL, as all collections from Oxyzo Financial Services Private Limited has been received. The credit profile of SEL has been weakening over the past year resulting in rating downgrade for the rated PTCs. The concentration risk also remains high in the pool with the top obligor constituting around 95% of the pool principal after 05-Sep-22 payout. The pool has seen no prepayments and all the underlying entities have made the payments on the NCDs in a timely manner till 05-Sep-22 payout and the same has been confirmed by the trustee. Continued stress in the credit profile of SEL resulting in any sustained delays in payments on the NCDs forming part of the pool would have a bearing on the credit quality of the rated PTCs.

**Performance of past rated pools:** ICRA has rated only the current pool where SCPL has been the seller.

## Key rating assumptions

ICRA's rating (or shadow rating) on the entities has been taken into account while arriving at the rating of the PTCs. There is no external credit enhancement in the structure; hence, the default probability on the PTCs is taking into consideration the probability of payments on the underlying NCDs by the respective entities to be received within the final maturity date of the transaction to ensure payment of entire principal on the PTCs by the final maturity date.

## 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** – Continued stress in the credit profile of SEL resulting in sustained delays in payments on the NCDs forming part of the pool could lead to rating downgrade

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">ICRA Rating Methodology for Collateralized Debt Obligations</a>
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

## About the seller

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 (FY2023)				Chronology of Rating History for the past 3 years				
	Instrument	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2023		Date & Rating in FY2022		Date & Rating in FY2021	Date & Rating in FY2020
				Sep 26, 2022	June 20, 2022	December 13, 2021	October 12, 2021	-	
Pyxis Fixed Income Trust	PTC Series A1	5.13	2.14	[ICRA]B-(SO)	[ICRA]B+(SO)	[ICRA]BB+(SO)	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](http://www.icra.in)

### Annexure-I: Instrument details

ISIN	Trust Name	Instrument	Date of Issuance	Coupon Rate*	Maturity Date	Amount Rated (Rs. crore)	Current Rating
INE0JXS15015	Pyxis Fixed Income Trust	PTC Series A1	October-2021	7.73%	March-2024	2.14	[ICRA]B-(SO)

\* Expected yield to maturity

### Annexure-II: List of entities considered for consolidated analysis

Not Applicable

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