

December 20, 2022

## Vistaar Financial Services Pvt Ltd: Rating upgraded/reaffirmed for assignee payouts issued under two small business mortgage loan securitisation transactions

### Summary of rating action

Transaction Name	Instrument*	Initial Amount (Rs. crore)	Amount after Previous Rating Exercise (Rs. crore)	Amount after Nov-22 Payout (Rs. crore)	Rating Action
Vistaar BOM DA Pool Dec 2019 (PCG)	Assignee Payouts	81.13	27.13	6.40	[ICRA]AAA(SO); Upgraded from [ICRA]AA(SO)
Vistaar BOB DA Pool Dec 2019 (PCG)	Assignee Payouts	67.71	33.96	18.48	[ICRA]AA(SO); Reaffirmed

\*Instrument details are provided in Annexure-1

### Rationale

The assignee payouts are backed by pools of small business mortgage loans (SBMLs) originated by Vistaar Financial Services Pvt Ltd (VFSP; rated [ICRA]A(Stable)/[ICRA]A1). The rating actions takes into account the high amortisation in the transactions, which has led to the build-up of the credit enhancement cover over the future assignee payouts. The breakeven collection efficiency is also comfortable compared to the actual collection levels observed in the pools.

### Pool performance summary

A summary of the performance of the pools till the November 2022 payout month has been tabulated below.

Parameter	BOM DA Pool Dec 2019 (PCG)	BOB DA Pool Dec 2019 (PCG)
Months post securitisation	35	35
Pool amortisation (%)	87.07%	68.96%
Cumulative collection efficiency (%) <sup>1</sup>	90.52%	91.65%
Cumulative prepayment rate	42.28%	42.39%
Average monthly prepayment rate	1.56%	1.56%
Loss-cum-30+ dpd <sup>2</sup>	1.11%	2.58%
Loss-cum-90+ dpd <sup>3</sup>	0.00%	0.00%
Breakeven collection efficiency (%) <sup>4</sup>	0.00%	61.53%
Cumulative CC utilisation	0.00%	0.00%
CC available (as % of balance pool)	>100%	16.11%
EIS over balance tenure (as % of balance pool)	>100%	32.49%

### Key rating drivers

#### Credit strengths

- High amortisation of the pools resulting in build-up of credit enhancement cover over the future assignee payouts with CC fully covering future assignee payouts for BoM Dec-19 transaction

<sup>1</sup> Cumulative collections / (Cumulative billings + opening overdue at the time of securitisation)

<sup>2</sup> POS on contracts aged 30+ dpd / POS on the pool at the time of securitisation

<sup>3</sup> POS on contracts aged 90+ dpd / POS on the pool at the time of securitisation

<sup>4</sup> Breakeven collection efficiency = Balance assignee cash flows - CC available / Balance pool cash flows

- Low delinquency levels exhibited by the pools

#### Credit challenges

- High state level concentration in the Vistaar BOB DA Pool Dec 2019 (PCG) pool with top state of Tamil Nadu having 73% share in balance pool;
- Performance of the pools would remain exposed to macro-economic shocks/business disruptions, if any.

#### Description of key rating drivers highlighted above

The pools have amortised highly after the November 2022 payouts. Thus, the credit enhancement (as a percentage of the balance pool principal) has also built up in both these transactions. There has not been any shortfall in the collections to meet the promised payouts in these transactions. Thus, there has not been any CC utilisation in these transactions till the November 2022 payout. The cumulative collection efficiency reported, as of the November 2022 payout month, has been moderate (around 91%) as the monthly collection efficiency was lower during the moratorium period and during Q1FY22 on account of the second wave of the pandemic though it has improved post Jun-22. The loss-cum-90+ days past due (dpd) was nil for both the pools as on November 2022 payout month with rollback of delinquency happening from peak levels of 3-5%.

Vistaar BOB DA Pool Dec 2019 (PCG) pool has high geographical concentration with Tamil Nadu accounting for 73% share in balance pool principal. Overall, the credit enhancement available for meeting the balance payouts to the investors is sufficient to reaffirm the rating for Vistaar BOB DA Pool Dec 2019 (PCG). For Vistaar BOB DA Pool Dec 2019 (PCG), the CC covers the entire future assignee payouts and break even collection efficiency is nil. The performance of the pools remains exposed to macro-economic shocks/business disruptions, if any.

ICRA will continue to monitor the performance of both these transactions. Any further rating action will be based on the performance of the pool and the availability of credit enhancement relative to ICRA's expectations.

**Performance of past rated pools:** ICRA has rated 13 securitisation transactions with the underlying receivables originated by VFSPL. The matured pools reported a loss-cum-90+ days past due (dpd) of less than 5% with no CC utilisation till the last payout date. The pools which are live as on date, which have a satisfactory cumulative collection efficiency while the cumulative CC utilisation was nil as of the November 2022 payout.

#### Key rating assumptions

ICRA's cash flow modelling for the rating of asset-backed securitisation (ABS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the 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 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.

#### Liquidity position:

##### **Superior for Vistaar BOM DA Pool Dec 2019 (PCG) and Strong for Vistaar BOB DA Pool Dec 2019 (PCG)**

The liquidity of the BoM Dec-19 transaction is expected to be superior as the CC covers the future payouts entirely. For the BoB Dec-19 transaction the liquidity is expected to be strong, supported by the healthy collections expected from the pool of contracts and the presence of a cash collateral amounting to 16% of the pool balance principal amount. Even assuming a monthly collection efficiency of only 50% in the underlying pool contracts in a stress scenario, the cash collateral would cover the shortfalls in the assignee payouts for a period of over sixteen months.

#### Rating sensitivities

**Positive factors** – Not Applicable for Vistaar BOM DA Pool Dec 2019 (PCG) transaction, for Vistaar BOB DA Pool Dec 2019 (PCG) transaction the rating would be upgraded once the CC fully covers the future assignee payouts.

**Negative factors** – For the Vistaar BOM DA Pool Dec 2019 (PCG) transaction the rating is unlikely to be downgraded for transaction as the CC is fully covering the future assignee payouts. For Vistaar BOB DA Pool Dec 2019 (PCG) transaction, sustained weak collection performance of the underlying pool leading to higher than expected delinquency levels and CE utilisation levels would lead to a rating downgrade.

## Analytical approach

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

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a>
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)

VFSPL	FY2021	FY2022
Total income	390.8	433.6
Profit after tax	64.8	74.2
Total managed assets <sup>5</sup>	2,438.0	2,936.7
Gross Stage 3	3.2%	2.7%
Net Stage 3	2.2%	1.9%

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

<sup>5</sup> Total managed assets = Total assets + Off-book assets under management

## Rating history for past three years

Sr. No.	Transaction 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	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	
					December 20, 2022	December 20, 2021	December 30, 2020	March 13, 2020 <sup>^</sup>	December 23, 2019
1	Vistaar BOM DA Pool Dec 2019 (PCG)	Assignee Payouts	81.13	6.40	[ICRA]AAA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)

<sup>^</sup>Initial rating finalised

Sr. No.	Transaction 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	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020		
					December 20, 2022	December 20, 2021	December 30, 2020	March 13, 2020 <sup>^</sup>	January 31, 2020	January 03, 2020
2	Vistaar BOB DA Pool Dec 2019 (PCG)	Assignee Payouts	67.71	18.48	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	Provisional [ICRA]AA(SO)

<sup>^</sup>Initial rating finalised

## Complexity level of the rated instruments

Transaction Name	Instrument	Complexity Indicator
Vistaar BOM DA Pool Dec 2019 (PCG)	Assignee payouts	Simple
Vistaar BOB DA Pool Dec 2019 (PCG)	Assignee payouts	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: [Click Here](#)

#### Annexure-I: Instrument details

Transaction Name	Instrument Type	Date of Issuance	Coupon Rate (p.a.p.m.)	Maturity Date*	Amount Rated (Rs. crore)	Current Rating and Outlook
Vistaar BOM DA Pool Oct 2019 (PCG)	Assignee payouts	December 2019	9.85%	August 2030	6.40	[ICRA]AAA(SO)
Vistaar BOM DA Pool Dec 2019 (PCG)	Assignee payouts	December 2019	10.00%	November 2028	18.48	[ICRA]AA(SO)

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

Source: Company

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

Not Applicable

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