

December 26, 2022

## Vaya Finserv Private Limited: Rating placed on Watch with Developing Implications

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term bank facilities	1,000.00	1,000.00	[ICRA]BBB Placed on Rating Watch with Developing Implications
Non-convertible debentures	229.00	229.00	[ICRA]BBB Placed on Rating Watch with Developing Implications
Commercial paper programme	50.00	50.00	[ICRA]A3+ Placed on Rating Watch with Developing Implications
<b>Total</b>	<b>1,279.00</b>	<b>1,279.00</b>	

\*Instrument details are provided in Annexure I

In addition to the above instruments, ICRA has a rating outstanding on VFPL's pooled loan issuance (PLI) programme and pass-through certificates; refer to these links for details: [Link 1](#), [Link 2](#), [Link 3](#), [Link 4](#), [Link 5](#), [Link 6](#), [Link 7](#)

### Rationale

On December 19, 2022, Vaya Finserv Private Limited (VFPL) announced that it is evaluating the transfer of its entire loan portfolio (including loans classified as standard and/or stressed) to another bank or financial institution in accordance with the Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021 and any other applicable law, in one or more tranches, and matters related thereto (such as but not limited to servicing and collection related services in respect of the securitisation and transfer of loan exposures/direct assignment transactions previously entered into by the company, management of the minimum retention requirements in respect of securitisation and transfer of loan exposures/direct assignment transactions previously entered into by the company, and such other matters as may be agreed upon with the proposed transferee(s), together with prepayment/early closing of all of its indebtedness availed from any bank or financial institution or any other person).

ICRA notes that the aforementioned transaction will lead to the repayment of all the debt obligations of the company and the winding down of its operations. ICRA has, therefore, placed the rating on Watch with Developing Implications. The resolution of the rating watch would depend on more clarity on this transaction and its timelines. The company held free cash and cash equivalents of Rs. 236 crore as on November 30, 2022. This, along with the expected collections from advances, would be adequate to meet its near-term debt obligations, including the proposed prepayment of the listed non-convertible debentures amounting to Rs. 95 crore in January 2023. Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position, and rating sensitivities: [Click here](#)

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology for Non-banking Finance Companies</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

### About the company

Vaya Finserv Private Limited (VFPL), incorporated in March 2014, is a non-banking financial company-microfinance institution (NBFC-MFI) with its registered office in Hyderabad. The company provides microloans under the joint liability group (JLG)

model along with credit-linked insurance. VFPL was operating in 7 states through a network of 266 branches spread across 91 districts, catering to more than 5.5 lakh borrowers with a managed loan portfolio of Rs. 1,295 crore as on September 30, 2022.

#### Key financial indicators (audited)

Vaya Finserv Private Limited	FY2021	FY2022	H1 FY2023
Accounting as per	Ind-AS	Ind-AS	Ind-AS
Profit after tax	10	13	20
Net worth	297	310	330
Total managed assets	1,452	1,586	1,539
Return on average managed assets	0.7%	0.8%	2.5%
Return on average net worth	4.0%	4.2%	12.4%
Gross gearing (times)	2.3	3.9	3.4
Managed gearing (times)	2.6	3.9	3.4
Gross non-performing assets	2.8%	3.1%	4.0%
Net non-performing assets	1.6%	1.1%	1.6%
Solvency (Net NPA/Net worth)	3.9%	4.1%	5.9%
Capital adequacy ratio	34.5%	25.8%	25.4%

*Managed gearing = (on-book borrowings incl. accrued interest + securitised/assigned portfolio) / (net worth - cash collateral or fixed deposits for business correspondent portfolio); 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**

## Rating history for past three years

Instrument	Type	Current Rating (FY2023)			Chronology of Rating History for the Past 3 Years											
		Amount Rate d (Rs. crore )	Amount Outstanding as of Sep 30, 2022 (Rs. crore) *	Date & Rating in FY2023		Date & Rating in FY2022			Date & Rating in FY2021			Date & Rating in FY2020				
				Dec 26, 2022	May 27, 2022	Feb 14, 2022	Jul 01, 2021	Apr 23, 2021	Mar 31, 2021	Nov 24, 2020	Sep 28, 2020	Mar 27, 2020	Jan 02, 2020	Oct 16, 2019	Apr 23, 2019	
1	Non-convertible debentures	Long term	229.00	163.45	[ICRA]BBB	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)
2	Bank lines	Long term	1,000.00	808.43	[ICRA]BBB	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)
3	Commercial paper programme	Short term	50.00	28.43	[ICRA]A3+&	[ICRA]A3+	[ICRA]A3+	[ICRA]A3+	[ICRA]A3+	[ICRA]A3+	[ICRA]A3+&	[ICRA]A3+&	[ICRA]A3+	[ICRA]A3+	-	-

\*Source: Company

& - Denotes Rating Watch with Developing Implications

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-convertible debentures	Simple
Bank lines	Simple
Commercial paper programme	Very 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**

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE02DI07035	Non-convertible debentures	Oct 13, 2018	13.9%	Mar 31, 2023	25	[ICRA]BBB&
INE02DI07068	Non-convertible debentures*	Oct 24, 2018	13.1%	Jun 02, 2022	43	[ICRA]BBB&
INE02DI07050	Non-convertible debentures*	Oct 22, 2019	12.9%	Oct 22, 2025	35	[ICRA]BBB&
INE02DI07084	Non-convertible debentures	Nov 27, 2020	11.7%	Nov 24, 2023	22	[ICRA]BBB&
INE02DI07076	Non-convertible debentures	Nov 27, 2020	11.7%	Nov 24, 2023	22	[ICRA]BBB&
INE02DI07092	Non-convertible debentures	Mar 30, 2021	12.4%	Mar 30, 2023	23	[ICRA]BBB&
INE02DI07100	Non-convertible debentures	Jul 30, 2021	11.7%	Jul 30, 2024	37	[ICRA]BBB&
INE02DI07118	Non-convertible debentures	Aug 20, 2021	11.7%	Aug 20, 2024	22	[ICRA]BBB&
NA	Long-term bank facilities	May 31, 2019 – Mar 31, 2022	8.7% - 13.9%	Feb 08, 2022 – Mar 22, 2025	1,000	[ICRA]BBB&
INE02DI14122	Commercial programme paper	May 19, 2022	11.85%	Oct 31, 2022	14.25	[ICRA]A3+&
INE02DI14114	Commercial programme paper	May 19, 2022	11.85%	Nov 18, 2022	14.18	[ICRA]A3+&
NA	Commercial programme – Yet to be issued	NA	NA	7-365 days	21.57	[ICRA]A3+&

\*Instrument matured and/or fully redeemed; Source: Company

& - Denotes Rating On Watch with Developing Implications;

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis – Not applicable**

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