

January 23, 2023

## Varthana Finance Private Limited (erstwhile Thirumeni Finance Private Limited): Rating withdrawn for PTCs backed by school finance receivables securitisation transaction

### Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Northern Arc 2018 SBL Sombbrero	PTC Series A2	21.85	1.94	0.00	[ICRA]AA+(SO); Withdrawn

\*Instrument details are provided in Annexure I

### Rationale

ICRA has withdrawn the rating for pass through certificates (PTCs) issued under school finance loan securitisation transaction originated by Varthana Finance Private Limited (rated [ICRA]BBB-(Stable)), as tabulated above. All the payouts to the investors in the above-mentioned instrument has been made and no further payments are due to the investors.

The key rating drivers, liquidity position, rating sensitivities have not been captured as the rating assigned to the instruments have been withdrawn. The previous detailed rating rationale of previous rating exercise is available at the following link:

[Click here](#)

### Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">ICRA's Policy on Withdrawal of Credit Rating</a>
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

### About the originator

Varthana Finance Private Limited (Varthana) is a non-deposit taking non-banking financial company, incorporated in Cochin (Kerala) in June 1984. It was acquired by the current promoters – Mr. Steve Hardgrave and Mr. Brajesh Mishra – in May 2012 and commenced financing operations in January 2013. As on September 31, 2021, the promoters held an 10.6% stake in the company with the balance held by institutional investors (83.5%), individual investors (2.4%) and an employee share ownership trust (3.4%). Varthana offers credit facilities to private schools, including affordable private schools, for improvement, capacity expansion and growth. It operates in 16 states including top three states of Karnataka, Maharashtra and Tamil Nadu with its head office in Bengaluru. As on September 30, 2022 Varthana had a loan book of Rs. 904 Crore.

ICRA has a rating outstanding of [ICRA]BBB-(Stable) on the NCD programme and the long-term bank lines of VFPL.

### Key financial indicators

Varthana Finance Private Limited	FY2020	FY2021	FY2022
Total income	227.4	211.6	190.7
Profit after tax	15.3	-7.7	2.5
Total managed assets	1,225.9	1,164.4	957.8
% Gross stage 3	7.1%	2.9%	12.0%
% Net stage 3	4.3%	1.5%	5.5%

Amount in Rs. crore

Source: Company, ICRA Research; All ratios as per ICRA's calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Sr. No.	Trust Name	Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Current Rating (FY2023)		Chronology of Rating History for the past 3 years		
					Date & Rating		Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					Jan 23, 2023	Jul 28, 2022	Dec 21, 2021	Dec 24, 2020	Dec 05, 2019
1	Northern Arc 2018 SBL Sombrero	PTC Series A2	21.85	0.00	[ICRA]AA+(SO); Withdrawn	[ICRA]AA+(SO)	[ICRA]A(SO)	[ICRA]A(SO)	[ICRA]A(SO)

### Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Northern Arc 2018 SBL Sombrero	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, is available on ICRA's website [Click here](#)

#### Annexure I: Instrument details

Trust Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating
Northern Arc 2018 SBL Sombrero	PTC Series A2	January 2019	13.16%	April 2025	0.00	[ICRA]AA+(SO); Withdrawn

Source: Company

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

Not Applicable

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