

June 09, 2023

## Vivriti Capital Private Limited: Ratings reaffirmed/assigned

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Market linked debentures (MLD)	75.65	75.65	PP-MLD[ICRA]A (Stable); reaffirmed
Non-convertible debentures (NCDs)	298.00	298.00	[ICRA]A (Stable); reaffirmed
	50.00	0.00	[ICRA]A (Stable); reaffirmed and withdrawn
	0.00	300.00	[ICRA]A (Stable); assigned
NCD – Public issuance	0.00	500.00	[ICRA]A (Stable); assigned
Long term – Fund-based CC	55.00	55.00	[ICRA]A (Stable); reaffirmed
Long term – Fund-based term loans	2,045.00	2,045.00	[ICRA]A (Stable); reaffirmed
<b>Total</b>	<b>2,523.65</b>	<b>3,273.65</b>	

\* Instrument details are provided in Annexure I

### Rationale

The ratings factor in the steady increase in the share of retail exposures in Vivriti Capital Private Limited's (VCPL) assets under management (AUM) and its improving earnings performance. The AUM increased to Rs. 5,836 crore in March 2023 from Rs. 3,880 crore in March 2022 (Rs. 1,905 crore in March 2021), supported by co-lending and the non-financial enterprises segment. The share of retail exposures (via co-lending/partnership arrangements and purchase of retail asset pools) in its AUM increased to 28% in March 2023 from 24% in March 2022 (9% in March 2021). VCPL's return on average managed assets improved to 2.2% in FY2023 from 1.9% in FY2022, supported by low credit costs.

The company has raised Rs. 1,297 crore of capital since its incorporation in 2018. The latest equity raises of Rs. 220 crore in Q1 FY2023 and Rs. 317 crore in FY2022 have helped the company keep its capital profile under control even as the AUM expanded at a high rate. VCPL has steep growth plans with the AUM expected to increase at a compound annual growth rate (CAGR) of about 40% over the next three years. Considering the growth plans, VCPL would be required to raise capital regularly, going forward, to keep its leverage under control.

The ratings also take into consideration VCPL's exposure to borrowers with a moderate risk profile, largely comprising small and mid-sized non-banking financial companies (NBFCs) and enterprises (other than financial sector entities). However, portfolio concentration has moderated with the top 20 exposures reducing to 23% of the AUM in March 2023 from 26% in March 2022 (29% in March 2021). The concentration is envisaged to decline further, going forward. VCPL has, however, maintained a healthy asset quality with gross stage 3 of 0.3% as of March 2023 (0.3% as of March 2022).

ICRA has reaffirmed and withdrawn the long-term rating on the Rs. 50.00-crore non-convertible debentures (NCDs), in accordance with its policy on the withdrawal of credit ratings, as the instruments have matured and have been fully repaid.

### Key rating drivers and their description

#### Credit strengths

**Increasing share of retail segment** – VCPL has scaled up its AUM since the start of operations in FY2018 and had grown by 50%

in FY2023 to reach an AUM of Rs. 5,836 crore as of March 2023 (Rs. 5,680 crore; excluding the trading book<sup>1</sup>). The AUM consists of exposures to financial service entities (~36% as of March 2023), followed by non-financial enterprises finance (~26%), co-lending/partnership arrangements (26%), investment in pass-through certificates (PTCs; 6%), purchase of retail asset pools (2%) and supply chain finance (SCF; ~4%). The share of retail exposures (co-lending/partnership arrangements and purchase of retail asset pools) in its AUM increased to 28% in March 2023 from 24% in March 2022 (9% in March 2021). The co-lending arrangements are largely in the consumer loans, small business loans and vehicle finance segments. These exposures are generally covered by a first loss default guarantee (FLDG), which somewhat limits the credit risk at present.

Exposure to small business loan financing entities continued to account for the largest share in the overall AUM at 19% (19% in March 2022) as of March 2023, followed by microfinance institution (MFI) financing at 10% (13% in March 2022). The company's exposure to guarantees was modest at less than 1%. Going forward, the exposure to guarantees and subordinated PTC investments is likely to remain restricted.

Going forward, the company is expected to further increase the share of retail exposure, SCF and the non-financial enterprises segment. The performance of the exposures in the relatively newer non-financial enterprises segment would, however, remain a monitorable from a rating perspective.

**Capitalisation profile supported by regular infusions** – VCPL's capitalisation profile is characterised by a managed gearing<sup>2</sup> of 3.3x as of March 2023 (3.0x as of March 2022). The managed gearing, adjusted for exposure to associates and subsidiaries<sup>3</sup>, stood at 3.6x as of March 2023 (3.3x as of March 2022). VCPL had raised capital of Rs. 220 crore from TVS Shriram Growth Fund (new investor) in Q1 FY2023. It had previously raised Rs. 317 crore from its existing investors in FY2022, Rs. 100 crore from Creation Investments LLC (Creations) in FY2021, Rs. 350 crore from LGT Lightstone in March 2020 and Rs. 310 crore from Creations during January-May 2019.

VCPL intends to maintain the leverage below 4x while embarking on a steep growth plan over the medium term. Thus, its ability to obtain equity capital in a timely manner would be crucial, apart from securing commensurate funding lines. Vivriti Asset Management Private Limited (VAM; subsidiary of VCPL) also raised Rs. 77 crore from investors in FY2022 and Q1 FY2023. As of March 2023, VCPL had investments of Rs. 127 crore in VAM and CredAvenue Private Limited (CAPL). The company's overall exposure to its subsidiary and associates is expected to be capped at 10% of its net worth. VCPL is expected to divest its holdings in CAPL in the near term.

**Improving net profitability; managing interest margins would be key monitorable** – VCPL's net profitability improved to 2.2% in FY2023 from 1.9% (2.0%, adjusted for the impact of the capital raised in March 2022) in FY2022 (1.0% in FY2020), mainly driven by some improvement in the margins and low provision & credit costs. VCPL's operating cost increased to 1.7% in FY2023 from 1.3% in FY2022 as it is investing in its operational and infrastructural setup to support its growth plans. Provision & credit costs declined to 0.2% in FY2023 from 0.4% in FY2022 and 1.6% in FY2021, backed by the controlled asset quality indicators. Going forward, its ability to maintain stability in margins, given the expected increase in the cost of funds in the near term, would be a key monitorable.

### Credit challenges

**Steep growth plans** – VCPL commenced operations in June 2017 and received its NBFC licence in January 2018. Its AUM increased to Rs. 5,836 crore as of March 2023 from Rs. 3,880 crore as of March 31, 2022 (Rs. 1,905 crore as of March 2021), at a CAGR of 75% over the last two years. ICRA notes that the majority of VCPL's exposures have an original tenor of less than three years and are monthly amortising in nature.

<sup>1</sup> Vivriti invests in debt securities (including market linked debentures) for a short duration (about 15-60 days), based on its liquidity and the available investment opportunity

<sup>2</sup> (Total debt including guarantee and assigned book / net worth)

<sup>3</sup> (Total debt including guarantee and assigned book / net worth reduced by investments and loans to VAM and CAPL)

VCPL is expected to increase its AUM at a CAGR of around 40% over the next three years. The growth is expected to be supported by increasing diversification into retail exposures via co-lending/partnership arrangements and exposures to the non-financial enterprises segment. The company's ability to continue strengthening its operations and infrastructure would be critical for sustaining the high growth rate while maintaining its healthy asset quality position amidst the increasingly competitive environment.

**Exposure to borrowers with moderate risk profile; increase in share of enterprise (non-financial sector) exposures a monitorable** – VCPL's credit exposures are predominantly to small and mid-sized NBFCs and corporates with moderate risk profiles. About 17% (not including co-lending, direct assignment (DA), PTC and SCF) of the AUM, as of March 2023, was towards entities that are not rated, marginally up from about 16% in March 2022 (25% in March 2021). ICRA notes the steady increase in the share of non-financial enterprises finance in the overall AUM to ~30% (including SCF) in March 2023 from 15% in March 2020. As the company has a relatively lower track record in the enterprises segment vis-à-vis NBFCs and given its intention to increase its share further in this segment, the performance of this segment would remain a monitorable. The company has set up a separate team to scale up the portfolio in the enterprises segment.

ICRA, however, notes the moderation in the concentration of exposures with the top 20 exposures accounting for about 23% of the AUM as of March 2023 (down from 26% as of March 2022) vis-à-vis 29% as of March 2021. Further, the increasing share of the co-lending segment (26% as of March 2023) provides diversification benefits, supporting VCPL's risk profile to an extent. Going forward, VCPL's ability to reduce the concentration of its top exposures as per its envisaged plan would remain key from a rating perspective.

As of March 2023, the company's gross stage 3 assets were minimal at 0.3% (0.3% as of March 2022) and was largely provided for. VCPL carried provisions of 0.8% of the AUM as of March 2023 (0.8% and 1.5% as of March 31, 2022 and March 31, 2021, respectively). Going forward, the ability to keep the credit costs under control, considering the wholesale nature of the exposures and the growth expectation, would be important.

### Liquidity position: Adequate

VCPL had a free cash and bank balance of Rs. 294.5 crore and unutilised bank lines of Rs. 100.0 crore as on March 31, 2023 against debt repayment obligations of Rs. 965.3 crore during April 2023 - June 2023. The liquidity profile draws comfort from the healthy collection efficiency level, which stood at ~97-99% in H2 FY2023. Further, the asset-liability maturity (ALM) profile, as of March 2023, reflected positive cumulative mismatches across all buckets. VCPL has about 53 lenders with banks comprising ~53% of the overall borrowings followed by NBFCs (~18%); private wealth managers, mutual funds and other foreign investors accounted for the balance.

### Rating sensitivities

**Positive factors** – ICRA could upgrade the ratings if the company improves its earnings profile significantly and keeps a tight control over its delinquencies. A sustained reduction in its exposure concentration could also positively impact the ratings.

**Negative factors** – ICRA could downgrade the ratings or revise the outlook to Negative if there is a deterioration in the asset quality (90+ days past due (dpd)/AUM beyond 3%), thereby impacting the earnings performance on a sustained basis. A sustained increase in the managed gearing above 4.5x or a deterioration in the liquidity profile would also impact the ratings.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">ICRA's Credit Rating Methodology for Non-banking Finance Companies</a> <a href="#">Rating Approach – Consolidation</a> <a href="#">Policy on Withdrawal of Credit Ratings</a>
Parent/Group support	Not applicable

**Consolidation/Standalone**

For arriving at the ratings, ICRA has considered the standalone financials of VCPL. However, in line with ICRA's limited consolidation approach, the funding requirement of its subsidiary (VAM), going forward, has been factored in.

## About the company

VCPL 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, VCPL 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 FY2023, VCPL reported a net profit of Rs. 129.3 crore on a standalone basis on total managed assets of Rs. 6,784.0 crore while it reported a net profit of Rs. 67.4 crore on total managed assets of Rs. 4,824.4 crore in FY2022.

VCPL has shareholding in two group entities – VAM and CAPL. VAM is a ~67% subsidiary (on a diluted basis) and manages alternative investment funds (AIFs). It manages eight funds with a combined AUM of Rs. 1,993.6 crore as of March 2023. VCPL holds 50.45% of the stake in its associate company, CAPL, which is in the syndication platform business.

## Key financial indicators (audited) – IndAS

Vivriti Capital Private Limited (standalone)	FY2021	FY2022	FY2023
<b>Total income</b>	225.1	351.7	671.2
<b>Profit after tax</b>	30.0	67.4	129.3
<b>Net worth</b>	797.1	1,196.2	1,564.8
<b>AUM</b>	1,905	3,880	5,836
<b>Total managed assets</b>	2,244.6	4,824.4	6,784.0
<b>RoMA</b>	1.6%	1.9%	2.2%
<b>Return on net worth</b>	4.1%	6.8% <sup>#</sup>	9.4%
<b>Gearing (times)</b>	1.7	3.0*	3.2
<b>Managed gearing (times)</b>	1.8	3.0	3.3
<b>Gross NPA</b>	0.3%	0.3%	0.3%
<b>Net NPA</b>	0.0%	0.07%	0.08%
<b>CRAR</b>	40.3%	29.6%	25.7%

Source: Company, ICRA Research; <sup>#</sup> Net worth, including equity, raised in March 2022; \*Gearing was 2.76x as per the audited financial statements (calculated excluding bank overdrafts and unamortised issue expenses)

Amount in Rs. crore

## 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 (FY2024)		Chronology of Rating History for the Past 3 Years						
			Amount Rated	Amount Outstanding	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022		Date & Rating in FY2021	
			(Rs. crore)	(Rs. crore)	Jun-09-2023	Dec-23-2022	Aug-30-2022	Jul-01-2022	Dec-22-2021	Aug-03-2021	Mar-19-2021
1	NCD	Long term	298.00	215.00	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]A- (Stable)
2	NCD	Long term	300.00	0.00	[ICRA]A (Stable)	-	-	-	-	-	-
3	NCD	Long term	50.00	0.00	[ICRA]A (Stable); withdrawn	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]A- (Stable)
4	NCD – Public issuance	Long term	500.00	0.00	[ICRA]A (Stable)	-	-	-	-	-	-
5	MLD	Long term	75.65	10.00	PP-MLD[ICRA]A (Stable)	PP-MLD[ICRA]A (Stable)	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)
6	Long-term fund-based CC	Long term	55.00	55.00	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]A- (Stable)
7	Long-term fund-based TL	Long term	2,045.00	2,045.00	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]A- (Stable)
8	Long term – Unallocated	Long term	0.00	0.00	-	-	-	-	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]A- (Stable)

## Complexity level of the rated instrument

Instrument	Complexity Indicator
Market linked debenture	Moderately Complex
Non-convertible debenture	Simple
Non-convertible debenture – Public issuance	Simple
Long-term fund-based CC	Simple
Long-term fund-based TL	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
NA	Long term – Term loans	Mar-19-2021	NA	Oct-31-2025	2,045.00	[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)
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)
INE01HV07288	NCD	Mar-31-2022	3M T-Bill Linked	Sep-30-2024	50.00	[ICRA]A (Stable)
INE01HV07379	NCD	Apr-04-2023	10.15%	May-25-2026	25.00	[ICRA]A (Stable)
INE01HV07387	NCD	Apr-19-2023	8.62%	Apr-18-2025	100.00	[ICRA]A (Stable)
INE01HV07189	NCD	May-25-2021	10.50%	Aug-25-2022	30.00	[ICRA]A (Stable); withdrawn
INE01HV07049	NCD	Aug-26-2019	12.12%	Aug-26-2022	20.00	[ICRA]A (Stable); withdrawn
Unutilised	NCD	NA	NA	NA	383.00	[ICRA]A (Stable)
Unutilised	NCD – Public issuance	NA	NA	NA	500.00	[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 the withdrawal of the ratings outstanding

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**Annexure II: List of entities considered for limited consolidated analysis**

Company Name	Vivriti Ownership*	Consolidation Approach
Vivriti Asset Management Private Limited	66.78%	Limited Consolidation

Source: Company; \*on a diluted basis

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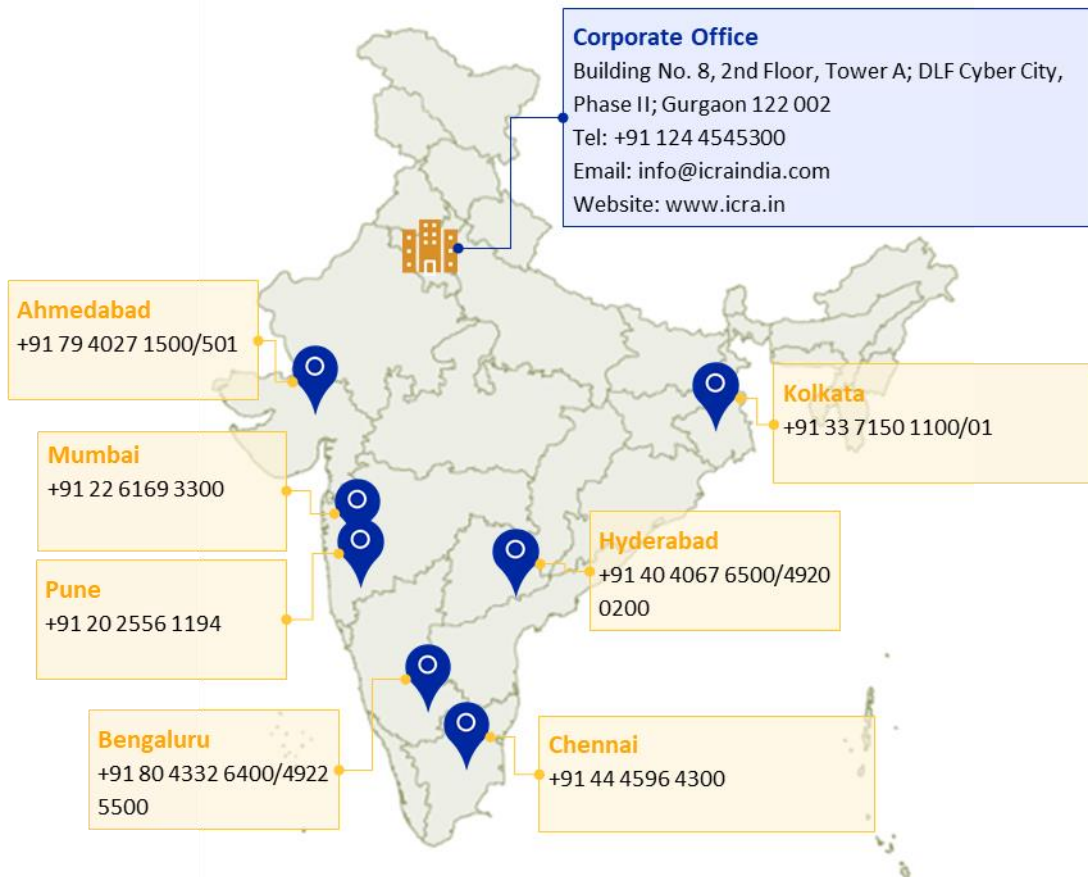
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