

June 16, 2023 ^(Revised)

Vivriti Asset Management Private Limited: [ICRA]A- (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debentures (NCD)	30.00	[ICRA]A- (Stable); assigned
Total	30.00	

* Instrument details are provided in Annexure I

Rationale

The assigned rating takes into consideration the managerial, operational and funding support to Vivriti Asset Management Private Limited (VAM) from its parent – Vivriti Capital Limited {VCL; rated [ICRA]A(Stable)}. VAM was incorporated in 2019 and manages SEBI regulated and IFSCA regulated Alternative Investment Funds (AIF) domiciled in India and in GIFT City. VAM has a limited track record of operations in the fund management business, with its first fund launched in 2020. Over the last three years, it has launched multiple innovative funds (of which seven funds are currently rated for capital protection) and scaled up its assets under management (AUM) steadily. VAM has made over 100 investments in 60+ entities totalling to Rs. 2,500 crore with a focus on operating companies. As of March 2023, it had nine live funds, with AUM of Rs. 1,994 crore and fund commitment from investors of more than Rs. 3,100 crore. The first fund (Vivriti Samarth Bond Fund) is expected to mature in 2027. ICRA notes that the AIFs are an evolving segment in the overall fund management business. As such, regulations for this segment are also expected to evolve over time; any adverse development, which could affect the scale-up or profitability of these asset management companies, would remain a key monitorable.

VCL's support to its Group entities would be capped to the extent of 10% of its standalone net worth; as of March 2023, the same stood at 8.7% of the company's net worth. Given VCL's planned divestment of an associate entity in the current year as well as its own capital-raising plans, ICRA expects it to have additional buffer to support VAM's funding requirement in the near term.

The rating factors in VAM's subdued financial performance, with the company achieving a profit for the first time in FY2023 (profit after tax (PAT)/operating income (OI) at 0.7%) vis-à-vis the losses witnessed in the previous three years. ICRA notes that the company has significantly expanded its operating base (employees and other infrastructure) for future growth. Therefore, as the AUM increases, ICRA expects improving economies of scale, which would support the profitability metrics in the medium term. VAM had modest borrowings (gearing of 0.1 times) as of March 2023. Going forward, it is expected to raise debt (gearing to be maintained below 1.0 times) for investment in its funds as a part of its sponsor commitments. ICRA expects the funding from VCL as well as the improvement in VAM's profitability, going forward, to support its debt-servicing requirements in the near to medium term.

Key rating drivers and their description

Credit strengths

Support from VCL – ICRA notes that VAM is a critical part of VCL's overall long-term growth strategy. VAM and VCL are expected to complement each other in access to capital as well as providing mid-market enterprises with alternative products. VAM is expected to receive managerial and financial support from VCL on an ongoing basis. VAM has built up an managerial and operational team covering various key functions including credit, investments, sales, product management, fund accounting, etc. ICRA notes that two of the three members of VAM's Investment Committee are from VCL. VCL has also demonstrated its support to VAM by investing in the funds launched by VAM, especially in the inception stages of the funds. ICRA also notes

that VCL has provided funding and capital support to VAM in the past. ICRA expects VCL to continue providing funding support to its Group entities (including VAM) in the form of equity and debt up to 10% of its net worth. As of March 2023, the same stood at 8.7% of VCL's net worth¹. However, given VCL's planned divestment of an associate entity in the current year as well as its own capital-raising plans, ICRA expects it to have additional buffer to support VAM's funding requirement vis-à-vis the current position.

Being part of the Vivriti group, VAM enjoys synergies on market insights, relationships and fund-raising strategies with VCL. Moreover, VAM is a critical part of VCL's overall growth strategy and as such, it is expected to receive funding from VCL on an ongoing basis.

Credit challenges

Moderate scale of operations – VAM was incorporated in 2019 as a wholly-owned subsidiary of VCL. It subsequently (in Q1 FY2023) raised capital in the form of compulsorily convertible debentures from VCL and other external investors, following which VCL's holding in VAM declined and stood at 66.8% (diluted basis) as of March 2023. VAM started its operations in FY2020 by launching three CAT-II funds during the year. Despite growing from the early stage of operations, the AUM remained moderate at Rs. 1,994 crore with eight AIF CAT-II funds as of March 2023 vis-à-vis Rs. 403 crore as of March 2021. The funds had commitments of more than ~Rs. 3,100 crore as of March 2023. VAM accounted for 0.6% of the total AIF AUM (0.8% of the CAT-II AIF AUM) in India as of March 2023. VAM expects its AUM to be supported by diversification of its the investor base and launching innovative products in INR and USD.

Subdued financial profile – In FY2023, VAM reported a profit for the first time in a year with PAT/OI of 0.7% vis-à-vis losses in the previous years of operations. However, OPBDITA remained negative at -Rs. 1.0 crore (excluding the gain on fair valuation of investments). As of March 2023, the outstanding debt stood at Rs. 14 crore, including debt of Rs. 8 crore from VCL while the rest is external debt. ICRA notes that the company has significantly expanded its operating base (employees and other infrastructure) for future growth. Therefore, as the company increases its AUM, ICRA expects improving economies of scale, which would support the profitability metrics in the medium term.

Risk of adverse regulatory developments – The AIF industry is a relatively new segment in the overall fund management business in India, with the permitting regulations being notified in 2012. While this segment has seen significant fund inflow over the last 10 years, with the total AUM of Category I-III AIFs at Rs. 3.7 lakh crore as of March 2023, it remains significantly smaller than the traditional fund management (including debt and equity mutual funds) business. ICRA notes that AIFs are an evolving segment in the overall fund management business, considering their target asset segments and investee companies. As such, the regulations for this segment are also expected to evolve over time; adverse developments, which could affect the scale-up or profitability of these asset management companies, would remain a key monitorable.

Liquidity position: Adequate

The company had cash and cash equivalents of Rs. 1.19 crore as of March 2023 against debt repayment obligations of Rs. 0.85 crore during April 2023 to September 2023. In addition, the expected funding support from VCL on an ongoing basis aids VAM's liquidity profile.

Rating sensitivities

Positive factors – ICRA could revise the outlook to Positive or upgrade the rating if VAM is able to demonstrate a steady scale-up in its AUM and a sustained improvement in its earnings profile while maintaining an adequate liquidity profile.

Negative factors – ICRA could downgrade the rating or revise the outlook to Negative in case of lower-than-expected support from VCL or a significant increase in VAM's debt in comparison to the funding support from VCL.

¹ VCL's standalone net worth was Rs. 1,565 crore as of March 2023

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA's Corporate Credit Rating Methodology Rating Approach – Consolidation
Parent/Group support	Not applicable
Consolidation/Standalone	While arriving at the rating, ICRA has considered the standalone financials of VAM while also factoring-in the ongoing funding support available from its parent VCL in line with ICRA's limited consolidation approach.

About the company

VAM was set up in February 2019 as a wholly-owned subsidiary of VCL. VAM seeks to develop innovative performing credit funds that take diversified exposures within the mid-market enterprises segment. VAM started its operations in FY2020 and currently manages nine AIFs with total AUM of Rs. 1,993.6 crore as of March 2023 (September 2022 – Rs. 1,676.7 crore; March 2022 – Rs. 1,270.5 crore). The funds invest in operating companies with proven businesses models and high vintage and have funds in different yield buckets ranging from 11-15% (gross). As of March 2023, VCL had a 66.8% stake (on a fully-diluted basis) in VAM.

Key financial indicators (audited) – IndAS

Vivriti Asset Management Private Limited (standalone)	FY2021	FY2022	FY2023
Operating income	2.79	10.16	32.05
PAT	(5.81)	(25.82)	0.24
OPBDITA /OI	-206.4%	-50.9%	-3.1%
PAT/OI	-208.6%	-254.2%	0.7%
Total outside liabilities/Tangible net worth (times)	0.35	0.17	0.36
Total debt/OPBDITA (times)	-	-	-14.08
Interest coverage	-2.85	-13.84	-0.90

Source: Company, ICRA Research; Amount in Rs. crore; Operating income not including gain on fair valuation of investments

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-16-2023	-	-	-
1	NCD	Long term	30.00	0.00	[ICRA]A- (Stable)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Non-convertible debenture	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
Unutilised	NCD	NA	NA	NA	30.00	[ICRA]A- (Stable)

Source: Company

Annexure II: List of entities considered for limited consolidated analysis – NA

Corrigendum

The rating rationale document dated June 16, 2023 has been corrected with revision as detailed below:

- i) Rating methodology corrected to Corporate Credit Rating under 'Analytical approach' in page no. 3

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