

September 12, 2023

Fourdegreewater Services Private Limited: Rating confirmed as final for PTCs issued under a collateralised bond obligation transaction

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Wint Basket - 01	PTC Series A1	9.09	[ICRA]BBB(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

In August 2023, ICRA had assigned Provisional [ICRA]BBB(SO) rating to pass-through certificates (PTCs) Series A1 issued by Wint Basket - 01 wherein the seller/originator is Fourdegreewater Services Private Limited (Fourdegreewater). The PTCs are backed by future receivables arising from the non-convertible debentures (NCD) issued by seven entities, viz. Clix Capital Services Private Limited, Ugro Capital Limited, KrazyBee Services Private Limited, Aye Finance (P) Ltd., Akara Capital Advisors Private Limited {[ICRA]BBB(Stable)}, NeoGrowth Credit Private Limited {[ICRA]BBB(Stable)} and Vivriti Capital Limited {[ICRA]A(Stable)}. Since the executed transaction documents are in line with the rating conditions and the legal opinion for the transaction has been provided to ICRA, the said rating has now been confirmed as final.

Key rating drivers

Credit strengths

- Diversity amongst the borrower entities in terms of the varied nature of businesses
- Presence of entities having moderate to strong credit profiles

Credit challenges

- High obligor concentration in the pool (top obligor constitutes ~21% of initial pool principal)
- No external credit enhancement in the structure

Description of key rating drivers highlighted above

As on August 28, 2023, the aggregate receivables stood at Rs. 9.65 crore with an underlying pool principal of Rs. 8.98 crore. The Trust will issue a single series of PTCs (PTC Series A1 of Rs. 9.09 crore) backed by the NCD receivables. As per the transaction structure, the monthly cash flow schedule comprises the expected principal payment to PTC Series A1 with the yield to the PTC Series A1 being in the form of the residual cash flow after making all senior payouts based on the transaction waterfall. The yield on PTC Series A1 is not promised. On the final maturity date (January 08, 2025) of the transaction, only the principal is promised on the PTCs. All the rights of the NCD holders will be exercised by the Trustee on behalf of the PTC investors.

No external credit enhancement is available in the structure. The entities, the NCDs of which would be assigned to the Trust, have standalone ratings in the BBB and A category. The entities are non-banking financial companies (NBFCs) involved in the lending business across different product classes and end use, thereby providing a diverse portfolio mix to the pool. However, the concentration risk is high since the transaction comprises NCD contracts issued by only seven entities; the top obligor in the pool constitutes ~21% of the pool principal. Hence, any deterioration in the credit quality of the individual entities in the pool to a rating level below the rating assigned to the PTCs would have a bearing on the credit quality of the rated PTCs.

Past rated pools: This is the first NCD receivables-backed PTC transaction (originated by Fourdegreewater) to be rated by ICRA.

Key rating assumptions

ICRA's rating (or shadow rating) on the entities in the pool has been taken into account while assigning the rating to the PTCs. There is no external credit enhancement in the structure; hence, the default probability on the PTC payout is considered to be in line with the default probability of the lowest-rated entity in the pool.

Liquidity position: Adequate

Considering the liquidity profiles of the underlying entities, the liquidity position for PTC Series A1 is considered to be adequate to meet the promised investor payouts.

Rating sensitivities

Positive factors – Improvement in the credit profiles of the underlying entities could lead to upgrade in PTC rating.

Negative factors – The rating could be downgraded due to weakening of credit profile of entities which are a part of the pool or non-adherence to the material terms of the transaction.

Analytical approach

The rating action is based on the trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for Collateralised Debt Obligations
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

About the Seller

Fourdegreewater Services Private Limited (“Fourdegreewater”) is a wholly owned subsidiary of Fourdegreewater Capital Private Limited. It is a SEBI registered stock broker. Fourdegreewater is a trading member registered with NSE and operates as an Online Bond Platform Provider wherein it facilitates the buying and selling of bonds and other fixed income products to retail investors through its fixed income focused wealth platform www.wintwealth.com that lets mass affluent/retail investors invest in SEBI regulated debt assets like listed corporate bonds, government securities etc. Till date, the platform has facilitated more than Rs. 1,000 crore worth of bond transactions.

Key financial indicators – Fourdegreewater

	FY2023 (audited)
Total income	0.012
PBT	(0.020)
Profit after tax (PAT)	(0.021)
Net worth	10.00

Amount in Rs. crore; All calculations are as per ICRA Research
Source: Company, ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Sr. No	Trust Name	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years			
		Instrument	Initial Rated Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					Sep 12, 2023	Aug 31, 2023			
1	Wint Basket - 01	PTC Series A1	9.09	9.09	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A1	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 are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
INE0R3315017	Wint Basket - 01	PTC Series A1	August 2023	10.03%**	January 08, 2025	9.09	[ICRA]BBB(SO)

* Scheduled maturity date; may change on account of prepayments/foreclosure

**Expected coupon

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

ANALYST CONTACTS

Abhishek Dafria

+91 22 6114 3440

abhishek.dafria@icraindia.com

Sachin Joglekar

+91 22 6114 3470

sachin.joglekar@icraindia.com

Gaurav Mashalkar

+91 22 6114 3431

gaurav.mashalkar@icraindia.com

Diptajyoti Banik

+91 22 6114 3412

diptajyoti.banik@icraindia.com

Nemish Shah

+91 22 6114 3450

nemish.shah@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3304

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

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ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



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