

February 29, 2024

Fourdegreewater Services Private Limited: Rating upgraded to [ICRA]BBB+(SO) for the PTCs issued by Wint Basket 02

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Amount after Feb-24 Payout (Rs. crore)	Rating Action
Wint Basket 02	PTC Series A1	15.03	NA	13.66	[ICRA]BBB+(SO); Upgraded from [ICRA]BBB(SO)

*Instrument details are provided in Annexure I

Rationale

ICRA has upgraded the rating to pass-through certificates¹ (PTC) Series A1 issued by Wint Basket 02 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. Aye Finance (P) Ltd., Clix Capital Services Private Limited, Navi Finserv Limited, NeoGrowth Credit Private Limited {[ICRA]BBB+ (Stable)}, Protium Finance Limited, Spandana Sphoorty Financial Limited {[ICRA]A (Positive)} and Vivriti Capital Limited {[ICRA]A (Stable)}.

The rating for the PTCs has been upgraded following the improvement in the credit profile of NeoGrowth Credit Private Limited (NeoGrowth) whose NCDs are part of the securitised pool. ICRA has recently revised the rating assigned to debt instruments of Neogrowth to [ICRA]BBB+ (Stable) from [ICRA]BBB(Stable) ([link](#)). The rating on the PTCs also draws comfort from the 100% collection efficiency seen in the pool till February 2024 payout as all entities in the pool have made payment on the NCDs in a timely manner. As there is no external credit enhancement in the transaction structure, the default probability on the PTC payouts is considered to be in line with the default probability of the lowest-rated entity in the pool.

Pool performance summary

A summary of the performance of the pool till the January 2024 collection month (February 2024 payout) is tabulated below.

Parameter	Wint Basket 02
Months post securitisation	2
Number of live entities in pool	7
Pool amortisation	9.18%
PTC Series A1 amortisation	9.22%
Cumulative collection efficiency ²	100.00%
Cumulative prepayment rate	0.00%
Loss-cum-0+ dpd ³ (% of initial pool)	0.00%

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 ~19% of balance pool principal)

¹ Also referred to as securitised debt instruments (SDI)

² (Cumulative current and overdue collections till date)/(Cumulative billing till date + Opening overdues at the start of the transaction)

³ Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 0 days, as a % of Initial pool principal

- No external credit enhancement in the structure

Description of key rating drivers highlighted above

As per the transaction structure, the monthly cash flow schedule comprises the expected principal and interest payment to PTC Series A1, while the interest and the principal are promised to PTC Series A1 on the final maturity date (May 01, 2025) of the transaction. All the rights of the NCD holders will be exercised by the Trustee on behalf of the PTC investors.

There is no external credit enhancement available in the structure. The entities whose NCD receivables have been assigned to the Trust have standalone credit ratings in the BBB and A categories as assessed by ICRA. 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 ~19% of the balance pool principal. All the entities in the pool have made the payments due on the NCDs in a timely manner so far. Since there is no credit enhancement in the structure; 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.

Performance of past rated pools: ICRA has rated two NCD receivables-backed PTC transactions where the seller is Fourdegreewater. The cumulative collection efficiency for the pools is 100% as on February 2024 payout.

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 the 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 credit profiles of the underlying borrower entities in the transaction, the performance of the pool till January 2024 (collection month) and the performance expected over the balance tenure of the pool.

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 Securities and Exchange Board of India (SEBI) registered stockbroker. Fourdegreewater is a trading member registered with National Stock Exchange (NSE) and operates as an online bond platform provider, facilitating the buying and selling of bonds and other fixed income products to retail investors through its fixed income focused wealth platform – www.wintwealth.com. This platform allows 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. 1,500 crore worth of bond transactions.

Key financial indicators – Fourdegreewater

	FY2023 (audited)
Total income	0.012
Profit before tax (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	Instrument	Initial Rated Amount (Rs. crore)	Amount Outstanding (Rs. crore)	Current Rating (FY2024)			Chronology of Rating History for the Past 3 Years		
					Date & Rating in FY2024			Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					Feb 29, 2024	Nov 23, 2023	Nov 01, 2023			
1	Wint Basket 02	PTC Series A1	15.03	13.66	[ICRA]BBB+(SO)	[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
INE0RXA15016	Wint Basket 02	PTC Series A1	November 2023	10.03%*	May 01, 2025	13.66	[ICRA]BBB+(SO)

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

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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About ICRA Limited:

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