

October 14, 2024

Fourdegreewater Services Private Limited: Rating upgraded to [ICRA]A(SO) for PTCs issued by Wint Basket - 01

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Amount after Sep-24 Payout (Rs. crore)	Rating Action
Wint Basket - 01	PTC Series A1	9.09	2.89	1.21	[ICRA]A(SO); upgraded from [ICRA]BBB+(SO)

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates¹ (PTCs) are issued under a collateralised bond obligation (CBO) transaction, wherein the Seller/Originator is Fourdegreewater Services Private Limited (Fourdegreewater). At time of issuance, PTCs were 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. {[ICRA]A(Stable)}, Akara Capital Advisors Private Limited {[ICRA]BBB(Stable)}, NeoGrowth Credit Private Limited {[ICRA]BBB+(Stable)} and Vivriti Capital Limited {[ICRA]A+(Stable)}.

As the transaction structure does not have any external credit enhancement, 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. Post September 2024 payout, four out of seven entities continue to be part of the balance pool and the collection efficiency remains 100% as all entities in the pool have made payment on the NCDs in a timely manner. Three entities namely Akara Capital Advisors Private Limited, KrazyBee Services Private Limited and NeoGrowth Credit Private Limited have repaid all its dues as part of the underlying NCDs in the pool. The rating action also factors in the improvement in the credit profile of a few entities in the pool since ICRA's last review.

Pool performance summary

Parameter	Wint Basket - 01
Payout month	September 2024
Months post securitisation	12
Number of live entities in pool	4
Pool amortisation	86.73%
PTC Series A1 amortisation	86.68%
Cumulative collection efficiency ²	100.00%
Cumulative prepayment rate	0.00%
Loss-cum-0+ dpd ³ (% of initial pool)	0.00%

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

Transaction structure

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. The yield on PTC Series A1 is residual and is not promised. Principal on the PTCs is promised on the final maturity date (January 08, 2025) of the transaction. Any prepayment in the pool would be used for the prepayment of PTC Series A1 principal.

Key rating drivers and their description

Credit strengths

Diversity amongst the borrower entities in terms of the varied nature of businesses – The NCDs comprising the balance pool receivables have been issued by 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.

Presence of entities having moderate to strong credit profiles – The entities in the balance pool have standalone ratings in the A-category as assessed by ICRA.

Credit challenges

High obligor concentration in the pool –The pool comprises of NCD contracts issued by only four entities with the top obligor in the pool constituting ~35% of the pool principal as of September 2024 payout month.

No external credit enhancement in the structure – There is no external credit enhancement available 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.

Key rating assumptions

ICRA's ratings (or shadow ratings) for the entities in the pool have been taken into account while assigning the rating to the PTCs. As the structure does not have any external credit enhancement, the default probability of the PTC payout is considered to be in line with the default probability of the lowest-rated entity in the pool.

Details of key counterparties

The key counterparties in the rated transaction are as follows:

Transaction Name	Wint Basket - 01
Seller of NCDs	Fourdegreewater Services Private Limited
Servicer	Fourdegreewater Services Private Limited
Trustee	Mitcon Credentia Trusteeship Services Limited
Collection and payout account bank	ICICI Bank

Liquidity position: Adequate

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

Rating sensitivities

Positive factors – An improvement in the credit profile of the underlying entities could lead to an upgrade in the rating.

Negative factors – The rating could be downgraded due to the weakening of the 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 August 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 the 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. This platform allows mass affluent/retail investors to invest in SEBI-regulated debt assets like listed corporate bonds, government securities, etc. Till date, the platform has facilitated more than Rs. 1,800 crore worth of bond transactions.

Key financial indicators – Fourdegreewater

	FY2023 (Audited)	FY2024 (Provisional)
Total income	0.01	0.9
Profit before tax (PBT)	(0.02)	(2.0)
Profit after tax (PAT)	(0.02)	(2.0)
Net worth	10.0	7.8

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

S. No.	Trust Name	Current Rating (FY2025)					Chronology of Rating History for the Past 3 Years			
		Instrument	Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025		Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
					Oct 14, 2024	Jun 12, 2024	Sep 12, 2023	Aug 31, 2023	-	-
1	Wint Basket - 01	PTC Series A1	9.09	1.21	[ICRA]A(SO)	[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 (p.a.p.m)	Maturity Date	Current Amount Rated (Rs. crore)	Current Rating
INE0R3315017	Wint Basket - 01	PTC Series A1	September 04, 2023	10.03%*	January 08, 2025	1.21	[ICRA]A(SO)

*Expected coupon
Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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