

December 12, 2024

Vivriti Capital 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)	65.65	65.65	PP-MLD[ICRA]A+ (Stable); reaffirmed
Non-convertible debentures (NCDs)	518.00	518.00 90.00	[ICRA]A+ (Stable); reaffirmed [ICRA]A+ (Stable); assigned
NCD – Public issuance	500.00	500.00	[ICRA]A+ (Stable); reaffirmed
Long term – Fund based - Bank facilities	2,100.00	2,600.00	[ICRA]A+ (Stable); reaffirmed and assigned for enhanced amount
Total	3,183.65	3,773.65	

* Instrument details are provided in Annexure I

Rationale

The ratings factor in Vivriti Capital Limited's (VCL) adequate capitalisation profile with a managed gearing of 3.5 times as of September 2024 (3.8 times as of March 2024) along with the adequate earnings performance. The profitability¹ (profit after tax/average managed assets; PAT/AMA) improved to 2.3% in H1 FY2025 as well as FY2024 from 2.2% in FY2023, supported by higher interest margins and controlled credit costs. ICRA expects the company's overall earnings to remain sufficient in the near-to-medium term, though the interest margins could face pressure in the near term due to the competitive environment.

VCL has raised Rs. 1,399 crore of capital since its incorporation in 2018, which has helped keep the capital profile under control even as the assets under management (AUM) expanded at a high rate in the past. However, the scale-up slowed down in H1 FY2025, with AUM of Rs. 8,285 crore as of September 2024 vis-à-vis Rs. 8,071 crore as of March 2024, owing to market conditions. While VCL is looking to increase its AUM at a compound annual growth rate (CAGR) of 20-25% over the next three years, it will have to raise capital regularly to keep its managed gearing below 4.5 times.

The ratings also consider VCL'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). ICRA notes that portfolio concentration has moderated with the top 20 exposures reducing to 12% of the AUM as of March 2024 from 20% as of March 2023 (25% in March 2022). This is expected to decline further, going forward. The gross stage 3 (GS3) increased to 1.8% as of September 2024² from 1.1% as of March 2024 mainly due to the change in the reporting of delinquencies in the co-lending/partnership segment, following the revised digital lending guidelines. ICRA takes note of VCL's exposure to a corporate account, which is going through some stress³, though this is not expected to impact its overall risk profile.

ICRA notes that VCL's board of directors had approved a composite scheme of arrangement (proposed scheme) in June 2024, between the company, Hari and Company Investments Madras Private Limited (HCIMPL), Vivriti Next Private Limited (VNPL), Vivriti Asset Management Private Limited {VAM; VCL's subsidiary operating as an asset management company (AMC)}, Vivriti Funds Private Limited (VFPL) and their respective shareholders. As per the proposed scheme, the Vivriti Group is separating the online platform business without any shareholding linkages with its NBFC and AMC businesses. Nevertheless, the demerged NBFC and AMC businesses would become wholly-owned subsidiaries of VNPL, following the implementation of the proposed scheme. ICRA is of the view that the credit profile of the demerged NBFC business would remain unchanged as a

¹ Return on average net worth of 11.4% in H1 FY2025, 11.1% in FY2024 and 9.4% in FY2023

² GS3 after netting off FLDG's available in co-lending/partnership arrangement is 0.55% as of September 2024

³ Account is current as of now

result of the implementation of the proposed scheme. The proposed scheme is subject to National Company Law Tribunal approval.

The Stable outlook reflects ICRA's opinion that the company would continue to benefit from its established clientele and partnerships in the financial sector, coupled with its stable underwriting and risk management practices and its adequate capitalisation, which would help maintain its performance over the near-to-medium term.

Key rating drivers and their description

Credit strengths

Adequate near-term capitalisation – VCL is adequately capitalised for its current scale of operations with a managed gearing⁴ of 3.5 times as of September 2024 (3.8 times as of March 2024). The managed gearing, adjusted for exposure to associates and subsidiaries⁵, stood at 3.9 times as of March 2024 (4.2 times as of March 2024). VCL had raised around Rs. 1,399 crore from various investors during FY2019-FY2024, including Rs. 100 crore of capital in FY2024 from TVS Shriram Growth Fund.

As VCL expands its AUM over the next 2-3 years, obtaining equity capital in a timely manner would remain crucial for keeping the managed gearing below 4.5 times. VAM received Rs. 50-crore equity from VCL in FY2024 and had also raised capital of Rs. 77 crore during FY2022-FY2023. As of September 2024, VCL had investments of Rs. 174 crore in VAM and CredAvenue Private Limited (CAPL). Overall, the company's exposure to its subsidiary and associates is expected to be capped at 10% of its net worth.

Adequate earnings profile – VCL's profitability metrics have been on an improving trend over the past few years, supported by higher margins. PAT/AMA⁶ stood at 2.3% in H1 FY2025 as well as FY2024 vis-à-vis 2.2% in FY2023. Adjusting for the gains from the sale of investments (non-core exceptional income), the net profitability was 2.3% and 2.1% in H1 FY2025 and FY2024, respectively, vis-à-vis 2.0% in FY2023. The operating cost increased to 2.0% and 1.9% in H1 FY2025 and FY2024, respectively, from 1.7% in FY2023 (1.3% in FY2022) as VCL continued investing in its operational and infrastructural setup to support its growth plans. Also, credit costs increased to 1.5% in H1FY2025 vis-a-vis 1.3% in FY2024 due to the change in business model of the co-lending/partnership segment, following the digital lending guidelines in June 2023. However, this was offset by the improvement in the interest margins to 5.8% in H1FY2025 compared to 5.3% in FY2024 as the yields expanded. In the near term, ICRA expects incremental pressure on net profitability, given the expected increase in credit costs in view of some slippages in the institutional lending segment and margin pressure due to the elevated cost of funds.

Credit challenges

Modest track record of operations – VCL commenced operations in June 2017 and received its NBFC licence in January 2018. It started out with providing loans to financial sector entities and has diversified over the years into lending to non-financial enterprises (predominantly in the mid-market segment), retail exposures via co-lending/partnership arrangements, and supply chain financing. It recently commenced factoring and leasing. Its AUM increased to Rs. 8,071 crore as of March 2024 (Rs. 5,836 crore as of March 2023), reflecting a CAGR of 72% over the last five financial years. However, the growth had slowed down in H1 FY2025 due to market conditions and the AUM stood at Rs. 8,285 crore as of September 2024. VCL is expected to expand its AUM at a CAGR of 20-25% over the next three years, with the share of non-financial sector entities projected to improve steadily over the medium term.

⁴ (Total debt including guarantee and assigned book/Net worth)

⁵ (Total debt including guarantee and assigned book/Net worth reduced by investments and loans to VAM and CAPL)

⁶ Return on average net worth of 11.1% in FY2024 and 9.4% in FY2023

ICRA notes that exposures with longer tenors (original tenor of more than three years) have increased over the years. However, the majority of VCL's exposures have an original tenor of less than three years and are monthly amortising in nature. Coupled with the envisaged AUM growth, portfolio seasoning (especially in the non-financial enterprise segment) would remain monitorable. Moreover, maintaining the established underwriting standards and risk management practices (including for single party and group exposure limits, sectoral exposure limits, etc) would be key. The continued strengthening of its operations and infrastructure would be critical for the envisaged growth while maintaining a healthy asset quality position amid the increasingly competitive environment.

Moderate risk profile of exposures; performance of retail exposures is monitorable – VCL's AUM consists of exposures to financial service entities (~37% as of September 2024), co-lending/partnership arrangements (38%), non-financial enterprise finance (~18%), and supply chain finance, leasing & factoring (SCF; 7%). Its credit exposures are predominantly to small and mid-sized NBFCs/corporates with moderate risk profiles. The share of co-lending/partnership arrangements in the AUM increased to 38% as of September 2024 from 26% as of March 2023 (21% as of March 2022). Exposure to small business loan financing entities continued to account for the largest share in the overall AUM at 12% as of September 2024 (19% in March 2023), followed by consumer finance entities at 5% (5% in March 2023) and the agriculture sector at 4% (2% as of March 2023). The company's exposure to guarantees and subordinated pass-through certificates (PTCs) was modest at less than 1% and it is likely to remain restricted.

About 17% of the AUM, as of September 2024, was towards entities in the non-investment grade rating or unrated category, down from about 21% in March 2023 (19% as of March 2022). Further, 28% of the exposures, as of September 2024, were in the BBB rating category, slightly below the level of 30% as of March 2023. ICRA notes that the share of non-financial enterprise finance (including SCF) in the overall AUM is targeted to increase to 50% over the medium term from ~25% as of September 2024 (~30% as of March 2023). As the company has a relatively lower track record in the enterprises segment vis-à-vis loans to NBFCs and given its intention of increasing its share further in this segment, the performance of this segment would remain a monitorable.

The co-lending/partnership arrangements are mainly for consumer loans, followed by small business loans and vehicle finance. ICRA notes that while VCL determines the underwriting criteria for this segment, it depends on its partners for the origination and servicing of exposures. As such, managing the partnerships over cycles, including adequate diversification (partners/sectors), stepping in to service the loan portfolio, if necessary, etc, would be critical for scaling up this segment on a sustainable basis over the long term. Further, the reported GS3 in the co-lending book increased to 2.7% as of September 2024 (1.5% as of March 2024), post the change in the reporting requirements, though the ultimate credit losses are largely offset by the combination of higher yields and the first loss default guarantee (FLDG) agreed upon with the partners. ICRA notes that the FLDG coverage is currently limited to 5% of the disbursements in some cases, pursuant to the revised digital lending guidelines.

Further, VCL's portfolio concentration has moderated with the top 20 exposures reducing to 12% of the AUM as of September 2024 from 20% as of March 2023 (25% in March 2022). This is expected to decline further, going forward. The GS3 increased to 1.8% as of September 2024⁷ from 1.1% as of March 2024, mainly due to the change in accounting for the co-lending segment following the revised digital lending guidelines. VCL carried provisions of 1.7% of the AUM as of September 2024 (1.1% as of March 2024). Going forward, the ability to keep the credit costs under control, considering the wholesale nature of the exposures and the increasing share of retail exposures, would be monitorable from a rating perspective.

⁷ GS3 after netting off FLDG's available in co-lending/partnership arrangement is 0.55% as of September 2024

Liquidity position: Adequate

VCL had free cash and liquid investments of Rs. 185 crore as on September 30, 2024 and scheduled collections of Rs. 3,759 in H2 FY2025 against debt repayment obligations of Rs. 2,246 crore in H2 FY2025. The liquidity profile draws comfort from the healthy collection efficiency level, which stood at 97-105% in H1 FY2025. Further, the asset-liability maturity (ALM) profile, as of September 2024, reflected positive cumulative mismatches across all buckets. VCL has ~55 lenders with banks comprising ~63% of the overall borrowings followed by NBFCs & financial institutions (~19%). Private wealth managers, mutual funds, retail NCD investors and other foreign investors accounted for the balance.

Rating sensitivities

Positive factors – A sustained improvement in the earnings profile, while scaling up the portfolio and maintaining tight control over delinquencies, could have a positive impact on the ratings.

Negative factors – A sustained deterioration in the asset quality (90+ days past due (dpd)/AUM beyond 3%), impacting the earnings performance, would put pressure on the ratings. Continued increase in the managed gearing above 4.5 times or a deterioration in the liquidity profile would also impact the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of VCL. However, in line with ICRA's limited consolidation approach, the funding requirement of the subsidiary (VAM), going forward, has been factored in.

About the company

VCL 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, VCL provides diverse debt financing solutions including loans, working capital finance and trade finance to NBFCs and other enterprises across sectors including manufacturing, infrastructure and financial services. It has also expanded its presence in the retail segment through various co-lending partnerships with other NBFCs.

In FY2024, VCL reported a net profit of Rs. 191.3 crore, on a standalone basis, on total managed assets of Rs. 9,521.5 crore while it reported a net profit of Rs. 129.3 crore on total managed assets of Rs. 6,821.1 crore in FY2023. It reported a net profit of Rs. 111.4 crore on total managed assets of Rs. 9,601.8 crore in H1 FY2025.

VCL has a stake in two Group entities – VAM and CAPL. VAM is a ~70% subsidiary (on a diluted basis) and manages alternative investment funds (AIFs). It is currently managing nine funds with a combined AUM of Rs. 3,128.0 crore as of September 2024. VCL holds a 49.92% stake in its associate company, CAPL, which is in the syndication platform business. VCL announced a composite scheme of arrangement in June 2024, which would separate its online platform business from its NBFC and AMC businesses. Both businesses would become 100% subsidiaries of Vivriti Next Private Limited. The scheme of arrangement is subject to regulatory approvals.

Key financial indicators (audited) – IndAS

Vivriti Capital Limited (standalone)	FY2023	FY2024	H1 FY2025
Total income	671.2	1,050.7	651.7
Profit after tax	129.3	191.3	111.4
Total managed assets	6,821.1	9,521.5	9,601.8
RoMA	2.2%	2.3%	2.3%
Managed gearing (times)	3.3	3.8	3.5
Gross NPA	0.3%	1.1%	1.8%
CRAR	25.7%	21.3%	22.6%

Source: Company, ICRA Research; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable
Any other information: None
Rating history for past three years

Instrument	Current (FY2025)					Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	FY2025		Rating	Date	Rating	Date	Rating	Date	Rating
			12-DEC-2024	Date							
NCD	Long term	608.00	[ICRA]A+ (Stable)	14-MAY-2024	[ICRA]A (Stable)	09-JUN-2023	[ICRA]A (Stable)	01-JUL-2022	[ICRA]A (Stable)	03-AUG-2021	[ICRA]A- (Stable)
				04-JUN-2024	[ICRA]A+ (Stable)	-	-	30-AUG-2022	[ICRA]A (Stable)	22-DEC-2021	[ICRA]A- (Positive)
				12-JUL-2024	[ICRA]A+ (Stable)	-	-	23-DEC-2022	[ICRA]A (Stable)	-	-
NCD – Public issuance	Long term	500.00	[ICRA]A+ (Stable)	14-MAY-2024	[ICRA]A (Stable)	09-JUN-2023	[ICRA]A (Stable)	-	-	-	-
				04-JUN-2024	[ICRA]A+ (Stable)	-	-	-	-	-	-
				12-JUL-2024	[ICRA]A+ (Stable)	-	-	-	-	-	-
Market linked debenture	Long term	65.65	PP-MLD[ICRA]A+ (Stable)	14-MAY-2024	PP-MLD[ICRA]A (Stable)	09-JUN-2023	PP-MLD[ICRA]A (Stable)	01-JUL-2022	PP-MLD[ICRA]A (Stable)	03-AUG-2021	[ICRA]A- (Stable)
				04-JUN-2024	PP-MLD[ICRA]A+ (Stable)	-	-	30-AUG-2022	PP-MLD[ICRA]A (Stable)	22-DEC-2021	[ICRA]A- (Positive)
				12-JUL-2024	PP-MLD[ICRA]A+ (Stable)	-	-	23-DEC-2022	PP-MLD[ICRA]A (Stable)	-	-
Long-term fund based – Bank facilities	Long term	2,600.00	[ICRA]A+ (Stable)	14-MAY-2024	[ICRA]A (Stable)	09-JUN-2023	[ICRA]A (Stable)	01-JUL-2022	[ICRA]A (Stable)	03-AUG-2021	[ICRA]A- (Stable)
				04-JUN-2024	[ICRA]A+ (Stable)	-	-	30-AUG-2022	[ICRA]A (Stable)	22-DEC-2021	[ICRA]A- (Positive)
				12-JUL-2024	[ICRA]A+ (Stable)	-	-	23-DEC-2022	[ICRA]A (Stable)	-	-
Long term – Unallocated	Long term	0.00	-	-	-	-	-	-	-	03-AUG-2021	[ICRA]A- (Stable)

				-	-	-	-	-	-	-	-	22-DEC-2021	[ICRA]A-(Positive)
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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 bank facilities	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 fund-based bank facilities	Sep-24-2021 to Oct-31-2024	NA	Aug-30-2024 To Jun-30-2034	2,600.00	[ICRA]A+ (Stable)
INE01HV07379	NCD	Apr-04-2023	10.15%	May-25-2026	25.00	[ICRA]A+ (Stable)
INE01HV07387	NCD	May-08-2023	8.62%	May-08-2025	150.00	[ICRA]A+ (Stable)
INE01HV07395	NCD	Jun-09-2023	8.90%	May-05-2025	75.00	[ICRA]A+ (Stable)
INE01HV07494	NCD	Sep-27-2024	10.6632%	Sep-27-2026	100.00	[ICRA]A+ (Stable)
Unutilised	NCD	NA	NA	NA	258.00	[ICRA]A+ (Stable)
INE01HV07411	NCD – Public issuance	Sep-06-2023	9.57%	Mar-06-2025	86.16	[ICRA]A+ (Stable)
INE01HV07403	NCD – Public issuance	Sep-06-2023	10.00%	Mar-06-2025	45.60	[ICRA]A+ (Stable)
INE01HV07429	NCD – Public issuance	Sep-06-2023	9.65%	Sep-06-2025	104.72	[ICRA]A+ (Stable)
INE01HV07437	NCD – Public issuance	Sep-06-2023	10.03%	Sep-06-2025	188.80	[ICRA]A+ (Stable)
INE01HV07445	NCD – Public issuance	Sep-06-2023	10.50%	Sep-06-2025	67.46	[ICRA]A+ (Stable)
Unutilised	NCD – Public issuance	NA	NA	NA	7.26	[ICRA]A+ (Stable)
Unutilised	MLD	NA	NA	NA	65.65	PP-MLD[ICRA]A+ (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for limited consolidated analysis

Company Name	Vivriti Ownership*	Consolidation Approach
Vivriti Asset Management Private Limited	69.99%	Limited Consolidation

Source: Company; * On a diluted basis

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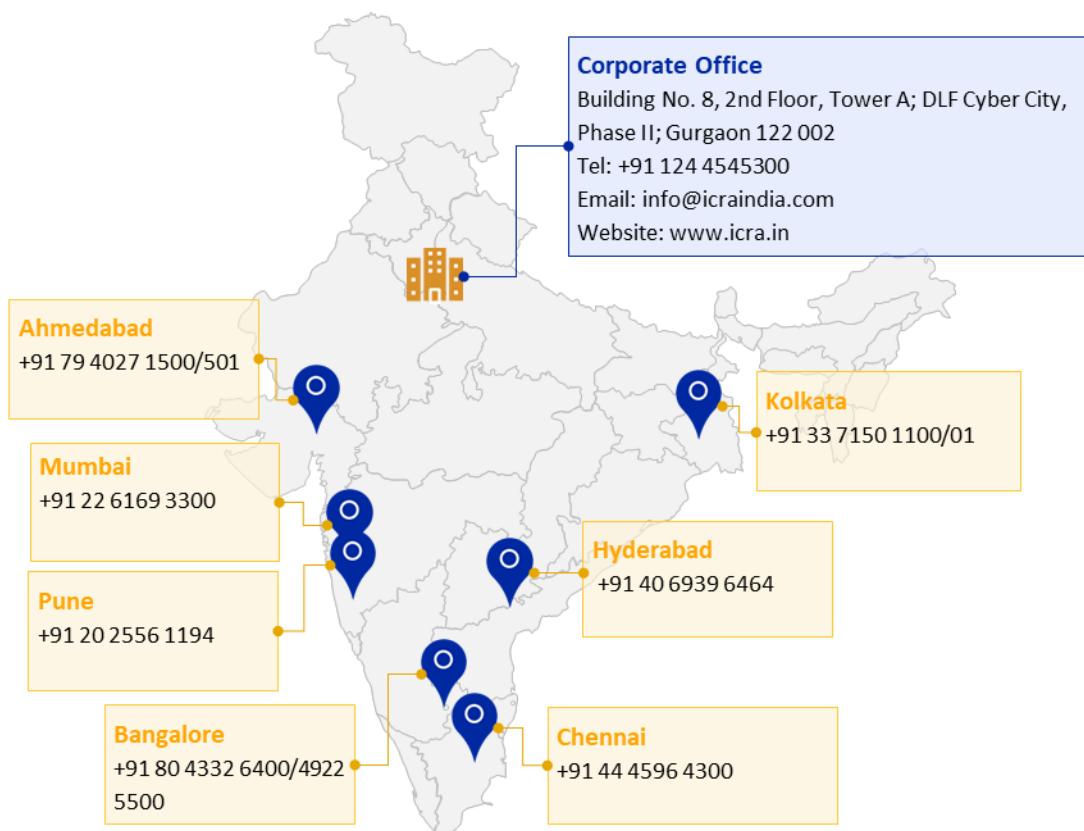
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