

March 19, 2021

## Vivriti Capital Private Limited: Ratings reaffirmed; rated amount enhanced

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Market Linked Debentures (MLD)*	31.00	31.00	PP-MLD[ICRA]A-(Stable); reaffirmed
MLD*	7.00	0.00	PP-MLD[ICRA]A-(Stable); reaffirmed and withdrawn
MLD*	0.00	50.00	PP-MLD[ICRA]A-(Stable); assigned
Non-convertible Debentures (NCDs)*	293.00	263.00	[ICRA]A- (Stable); reaffirmed
NCDs*	219.00	0.00	[ICRA]A- (Stable); reaffirmed and withdrawn
NCDs*	0.00	200.00	[ICRA]A-(Stable); assigned
Long Term – Bank Facilities*	600.00	1,100.00	[ICRA]A- (Stable); assigned/reaffirmed
NCDs	75.00	75.00	Provisional [ICRA]AA+(CE) (Stable); outstanding
MLD	50.00	50.00	PP-MLD [ICRA]AA+(CE) (Stable); outstanding
MLD	50.00	50.00	PP-MLD [ICRA] AA+(CE) (Stable); outstanding
<b>Total</b>	<b>1,325.00</b>	<b>1,819.00</b>	

\*Instrument details are provided in Annexure-1; For credit enhanced ratings of the entity, refer the rationales given under Structured Finance section [here](#). The letters, PP-MLD, prefixed to a rating symbol stand for principal protected market linked debentures. According to the terms of the rated instrument, the amount invested, that is the principal, is protected against erosion while the returns on the investment could vary, being linked to movements in one or more variables, such as equity indices, commodity prices, and/or foreign exchange rates. The rating assigned expresses ICRA's current opinion on the credit risk associated with the issuer concerned. The rating does not address the risks associated with variability in returns resulting from adverse movements in the variable(s) concerned

### Rationale

ICRA has taken a consolidated view of the Vivriti Capital Private Limited (Vivriti) and its subsidiaries. The rating action factors in Vivriti's prudent underwriting norms, considering the wholesale nature of the exposures and, the regular equity infusion which supports its capitalisation profile as it envisages to grow at a steep rate going forward. ICRA takes note of Vivriti's defined exposure norms with the concentration in the assets under management (AUM) moderating steadily with the addition of new clients; the top 20 AUM exposures moderated to 29% in December 2020 from 42% in March 2020 (67% in March 2019). While the concentration is envisaged to moderate further going forward, it presently remains high at present because of the nature of the target borrower segments. Vivriti's credit exposures are largely to small-and mid-sized NBFCs and enterprises (other than financial sector entities) with moderate risk profiles. ICRA also takes note of the steady increase in the share of enterprises in the overall AUM, the performance of which would remain a monitorable.

Vivriti's Founder-Directors have considerable experience in the institutional lending business, especially in the financial sector space. The group is steadily augmenting its management and employee base in view of the growth envisaged in the business volumes and product offerings, majorly via CredAvenue (CA) and Vivriti Asset Management Private Limited (VAM).

During the current fiscal, the technology platform, CA, has been moved to a separate entity, which the group envisages to scale-up going forward by providing an end-to-end solution to investors and issuers. Overall, the business volumes (funding arranged/managed for its clients and own balance sheet lending) grew by 39% YoY in 9MFY2021 (declined by about 25%,

excluding one large low fee transaction undertaken for a bank) vis-à-vis the corresponding period in the previous fiscal, while the cumulative volumes facilitated since inception stood at close to Rs. 40,000 crore as of December 2020.

The ratings however continue to factor in the group's limited track record and moderate scale (AUM stood at about Rs. 1,561 crore as of December 2020) and modest profitability, given the significant establishment costs, especially in view of the envisaged scale-up in CA. Vivriti envisages raising additional equity capital in FY2022. The company has been able to diversify its funding profile in the current fiscal and is expecting to securing funding from overseas/international lenders going forward. It would be essential to tie-up adequate funding to achieve the envisaged AUM and business volume growth over FY2022-2023 and improve its earnings profile significantly.

ICRA has also reaffirmed and withdrawn the long-term rating on the Rs. 219.00 crore NCD programme and Rs. 7.00 crore MLD programme as the instruments have matured and has been fully repaid. The rating was withdrawn in accordance with ICRA's policy on withdrawal of credit ratings

## Key rating drivers and their description

### Credit strengths:

#### Capital profile supported by regular infusion-

Vivriti's consolidated managed gearing<sup>1</sup> stood at 1.3x as of December 2020. It raised capital of about Rs.310 crore from a Series A round during January-May 2019 and Rs. 350 crore and Rs.100 crore from its Series B round in March 2020 and September 2020 respectively. Creation Investments LLC and LGT Lightstone are its private equity investors. The company is expected to raise additional capital in the next fiscal to scale-up its lending business, and for investments in CA and VAM. CA is also expected to secure equity independently going forward to support its growth.

Vivriti intends to maintain the leverage (net worth/AUM) at a minimum of 20% over the medium term, while embarking on a steep growth plan. Securing equity within the indicated timelines would be crucial, apart from securing commensurate funding lines, to grow the portfolio and scale-up the volumes at CA as per the envisaged business plan.

#### Prudent underwriting norms; proprietary tech platform to support business growth

Considering the credit risks arising from the wholesale nature of its exposures, Vivriti has a defined exposure limit, for a borrower, product and at a sectoral level, which is prudent for the current scale of operations. It undertakes a detailed due diligence during client on-boarding and monitors their performance on an ongoing basis to identify early warning signals. AUM concentration to the microfinance sector (largest sector) stood at 25% as of December 2020 (28% in March 2020) and is envisaged to moderate going forward, however a sharp increase in the enterprise exposure during the current fiscal would remain a monitorable from a rating perspective. The total non-retail AUM (93% of the AUM in December 2020) exposures have increased to 147 entities vis a vis 122 in March 2020 and 66 in March 2019, which has resulted in a sharp reduction in the portfolio concentration over the recent past. The company's exposures to guarantees and PTCs stood modest at 4% and 3% respectively and the combined share is envisaged to moderate to less than 6% by March 2022. It also envisages to increase the share of the retail exposures via the co-lending model (~7% of the AUM), which is secured by first loss default guarantee (FLDG).

The proprietary platform – CA, enables Vivriti's clients, ranging from unrated to high rating category, to raise debt from institutional investors ranging from banks, mutual funds, domestic and international institutions among others. The participants benefit from the platform through real-time price discovery for a debt proposal, a transaction engine to facilitate the process, a credit assessment module for investor information and a post transaction portfolio management tool. CA is in the process of rolling out new sub-platforms for various debt products over the next few months and ramp-up its product offerings. Ability to maintain a high level of controls and a strong credit quality would be critical, given the risk profile of the target segments.

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<sup>1</sup> (Total debt including guarantee)/Net worth

Vivriti's Founder-Directors have considerable experience in the institutional lending business, especially in the financial sector space. The group is steadily augmenting its management and employee base in view of the growth envisaged in the business volumes and diversity in product offerings, majorly via CA and VAM. Currently, Vivriti's board comprises two Founder Directors, two Nominee Directors and one Independent Director. The company has an advisory board with two members.

## Credit challenges

### Limited track record; steep envisaged growth plans

Vivriti has a limited track record as it commenced operations in June 2017. The company received its NBFC licence in January 2018. It had a moderate AUM of about Rs. 1,561 crore as of December 2020 (Rs. 868 crore as of December 2019). Of this, advances to NBFCs and enterprises comprised 75%, followed by investments in NCDs and PTCs (12%), co-lending (7%) guarantees (4%) and bill discounting (2%). Vivriti expects to achieve an AUM of ~Rs. 1,900 crore by March 2021 and ~Rs. 3,100 crore by March 2022. Ability to profitably scale-up its balance sheet and maintain a tight control over the asset quality would remain a key monitorable. In 9MFY2021, the company's business volumes, which contribute to fee income, grew by about 39% YoY to Rs. 12,685 crore (declined by about 25%, excluding one large low fee transaction undertaken for a bank, as the business was impacted on account of the pandemic). ICRA, however, notes that while the business volume concentration with top five clients (excluding the large transaction) moderated to 20% of the total business volumes in 9MFY2021 vis a vis 46% in FY2020 (43% in FY2019), the fee concentration (Top 5) remained stable at about 31-32% in FY2020 and 9MFY2021. Post the incorporation of CA as a separate entity in September 2020, the platform fee would be booked under that entity going forward. While the group is taking various initiatives to diversify its product profile, ability to commensurately grow and diversify its fee income would be key from an earnings perspective.

### Subdued profitability indicators

On a standalone basis, Vivriti's profitability however improved to 1.7% in 9MFY2021 from 1.0% in the last fiscal, supported by the increase in AUM as the technology platform and associated employees were moved to CA during Q3FY2021. Both CA and VAM are yet to achieve break-even. As CA is expected to further invest in augmenting its product profile, it is critical to scale-up, improve its operating efficiencies and keep its credit cost under control going forward. Vivriti would limit its investments into subsidiaries (CA and VAM) to 10% of its own network.

Vivriti' (consolidated) revenue stream comprises of income from the lending business (loans to NBFCs and enterprises, retail loans and a small investment book) and fee income from the CA platform and asset management income from VAM. On a consolidated basis, the cost to income ratio has moderated to 67% in 9MFY2021 (provisional) from about 73% in FY2020 (112% in FY2019), however the increase in the provisions resulted in the increase in credit cost to 1.6% (provisional) from 0.8% in FY2020. Net profitability therefore moderated to about 0.7% (provisional) from 0.9% in FY2020.

### Exposure to borrowers with moderate risk profile; increase in the share of enterprise (non- financial sector) exposures is a monitorable

Vivriti' credit exposures are largely to small-and mid-sized NBFCs and corporates with moderate risk profiles. About 20% (excluding co-lending and bill discounting) of the total AUM as of December 2020 were towards entities that are not rated. ICRA notes the sharp increase in the share of corporate exposures in the overall AUM to 23 % (including Bill Discounting) in December 2020 from 12% in December 2019. As the senior management has a relatively lower track record in the enterprise segment vis-a-vis NBFCs and thus the performance in this segment would remain a monitorable going forward as Vivriti, is expected to further increase its share in this segment. ICRA however notes the steady moderation in the exposure concentration; top 20 AUM exposures moderated to 29% in December 2020 from 42% in March 2020 (67% in March 2019), which mitigate risks to some extent. During 9MFY2021, the company was faced with overdues (excluding gross stage 3) in about ~2.0% of the AUM as of December 2020, while gross stage 3 stood at about 0.4%. As of December 2020, the total expected credit loss provision stood at about 1.5% of the AUM. Going forward, ability to keep credit cost under control, considering the wholesale nature of the exposures, would be key from a rating perspective.

## Liquidity position: Adequate

As of January 31, 2021, the company had about Rs. 140 crore cash and cash equivalents which was more than the debt obligations (including interest expense) during February 2021 - April 2021. Vivriti envisages to maintain liquidity of three months of debt obligations and operating expenses. Liquidity profile also draws comfort from the total collection efficiency of ~99% in January 2021 and 98% in December 2020.

As of December 2020, Vivriti has about 35 lenders vis a vis 20 in March 2020 and the share of banks have increased to 57% of the total borrowings from about 27% in March 2020. The company is also looking to raise funding from overseas lenders in the near term. It would be essential to tie-up adequate funding to achieve the envisaged AUM and business volume growth over FY2022-2023. The asset liability maturity (ALM) profile as of December 2020 is characterised by positive cumulative mismatches in all buckets up to one-year bucket.

## Rating sensitivities

**Positive factors** – ICRA could upgrade the ratings or revise the outlook to Positive if the company improves its -earnings profile (PAT/AMA above 3.0%) on a sustained basis as it scales up its operations, while maintaining net worth/AUM above 20%, and keeps a tight control on delinquencies.

**Negative factors** – ICRA could downgrade the ratings or revise the outlook to Negative if there is a deterioration in the asset quality (90+dpd/AUM beyond 3%) or if there is limited visibility on incremental funding tie-ups in relation to the envisaged business growth. The sustained weakening of the capital (vis-à-vis the expected levels), earnings or liquidity profile would also impact the ratings.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">ICRA's Credit Rating Methodology for Non-Banking Finance Companies</a> <a href="#">Policy on withdrawal of credit ratings</a>
Parent/Group Support	Not Applicable
Consolidation/Standalone	The ratings are based on the consolidated financial statements of Vivriti Capital Private Limited

## About the company

Promoted by Mr. Vineet Sukumar and Mr. Gaurav Kumar in June 2017, Vivriti provides diverse debt financing solutions, primarily loans, working capital finance and trade finance to enterprises.

Vivriti has a wholly owned subsidiary, Vivriti Asset Management Private Limited (VAM), which manages alternative investment funds (AIFs). VAM manages two funds (Vivriti Samarth Bond Fund and Vivriti India Impact Bond Fund) with combined fund assets under management (AUM) of Rs. 236 crore as on December 31, 2020 and is in the process of launching two more funds. In Q3 FY2021, Vivriti moved the assets relating to its technology platform to CredAvenue Private Limited which will henceforth be classified as a separate entity and as a wholly owned subsidiary of Vivriti.

In FY2020, the company reported a net profit of Rs. 9.6 crore on total managed assets of Rs. 1,545.1 crore while it reported a net loss of Rs. 4.5 crore on total managed assets of Rs. 596.3 crore in FY2019.

## Key financial indicators (audited) – IndAS

Vivriti Capital Private Limited (Consolidated)	FY2019	FY2020
Total income (Rs. crore)	35.6	148.9
Profit after tax (Rs. crore)	(4.5)	9.6
Net worth (Rs. crore)	243.0	662.8
AUM (Rs. crore)	536.8	1,009.0
Total managed assets (Rs. crore)	596.3	1,545.1
RoMA (%)	(1.5%)	0.9%
Return on net worth (%)	(3.4%)	2.1%
Gearing (times)	1.5	1.2
Gross NPA (%)	0.0%	0.7%
Net NPA (%)	0.0%	0.1%
CRAR (%)	42.6%	64.5%

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	Instrument	Current Rating (FY2021)				Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2020		Date & Rating in FY2019	Date & Rating in FY2018
						Mar-19-2021	Feb-17-2020	Jul-04-2019	Jan-23-2019
1	NCD	Long Term	263.00	263.00	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	-
2	NCD	Long Term	200.00	200.00	[ICRA]A- (Stable)	-	-	-	-
3	MLD	Long Term	50.00	50.00	PP-MLD[ICRA]A- (Stable)	-	-	-	-
4	MLD	Long Term	31.00	31.00	PP-MLD[ICRA]A- (Stable)	PP-MLD[ICRA]A- (Stable)	PP-MLD[ICRA]A- (Stable)	PP-MLD[ICRA]A- (Stable)	-
5	Long Term – Fund-based Bank Facilities	Long Term	1,100.00	1,100.00	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	-

For credit enhanced ratings of the entity, refer the rationales given under Structured Finance section [here](#).

## Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

**Annexure-1: Instrument details**

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	Mar-19-2021	NA	Dec-31-2024	450.44	[ICRA]A- (Stable)
NA	Long Term Fund based	NA	NA	NA	40.00	[ICRA]A- (Stable)
NA	LT-Unallocated	NA	NA	NA	609.56	[ICRA]A- (Stable)
INE01HV07148	NCD	Feb-02-2021	10.57%	Feb-02-2024	10.00	[ICRA]A- (Stable)
INE01HV07031	NCD	Aug-16-2019	11.50%	Aug-16-2021	10.00 <sup>^</sup>	[ICRA]A- (Stable)
INE01HV07049	NCD	Aug-26-2019	12.12%	Aug-26-2022	20.00	[ICRA]A- (Stable)
INE01HV07072	NCD	Mar-05-2023	12.25%	Mar-03-2023	25.00	[ICRA]A- (Stable)
INE01HV07114	NCD	Dec-16-2020	10.00%	Jun-16-2022	40.00	[ICRA]A- (Stable)
INE01HV07122	NCD	Dec-31--2020	10.25%	Jun-30-2022	20.00	[ICRA]A- (Stable)
Unutilised	NCD	NA	NA	NA	338.00	[ICRA]A- (Stable)
INE01HV07064	MLD	Feb-13-2020	NIFTY LINKED	Aug-13-2021	5.35	PP-MLD[ICRA]A- (Stable)
INE01HV07106	MLD	Nov-27-2020	NIFTY LINKED	Nov-27-2022	10.00	PP-MLD[ICRA]A- (Stable)
Unutilised	MLD	NA	NA	NA	65.65	PP-MLD[ICRA]A- (Stable)
INE01HV07015	NCD	Mar-19-2019	11.00%	Mar-19-2021	199.00	[ICRA]A- (Stable); reaffirmed and withdrawn
INE01HV07056	NCD	Aug-26-2019	12.12%	Aug-26-2022	20.00	[ICRA]A- (Stable); reaffirmed and withdrawn
INE01HV07023	MLD	Jun-27-2019	NIFTY LNIKED	Sep-27-2020	7.00	PP-MLD[ICRA]A- (Stable); reaffirmed and withdrawn

<sup>^</sup> outstanding amount; reduced from Rs. 40 crore

Source: Company

**Annexure-2: List of entities considered for consolidated analysis**

Company Name	VCPL Ownership	Consolidation Approach
Vivriti Asset Management Private Limited	100.00%	Full Consolidation
CredAvenue Private Limited	100.00%	Full Consolidation

Source: Company

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