

December 22, 2021

Vivriti Capital Private Limited: Ratings reaffirmed; Outlook revised to Positive

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Market Linked Debentures (MLD)*	81.00	81.00	PP-MLD[ICRA]A- reaffirmed; Outlook revised to Positive from Stable
Non-convertible Debentures (NCDs)	438.00	438.00	[ICRA]A- reaffirmed; Outlook revised to Positive from Stable
Long Term – Bank Facilities*	1,100.00	1,100.00	[ICRA]A- reaffirmed; Outlook revised to Positive from Stable
NCDs	75.00	46.49	[ICRA]AA+(CE) (Stable); outstanding
MLD	75.00	75.00	PP-MLD [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
Total	1,869.00	1,840.49	

* Instrument details are provided in Annexure-1; For credit enhanced ratings of the entity, refer to the rationales given under the 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, i.e. 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 Vivriti Capital Private Limited (Vivriti) and its subsidiaries¹. The revision in the outlook takes into consideration the recently concluded equity raise at CAPL, which is expected to support investments in the tech platform business and drive the Group's overall business growth in the near to medium term. ICRA notes that the Group has consistently raised capital for growth in the past and expects to raise further equity in the near term for Vivriti's lending operations. The ratings continue to factor in Vivriti's prudent underwriting norms, considering the wholesale nature of the exposures, and the support from the tech platform (CAPL).

The ratings also take into consideration the continued moderation in portfolio concentration backed by defined exposure norms; the top 20 exposures reduced to 24% of the AUM² in September 2021 from 27% in March 2021 (41% in March 2020). While the concentration is envisaged to moderate further going forward, it remains high at present because of the nature of the target borrower segments. Vivriti's credit exposures are largely to small-and-mid-sized non-banking financial companies (NBFCs) and enterprises (other than financial sector entities) with moderate risk profiles. ICRA also takes note of the steady increase in the share of non-financial enterprises in the overall AUM; the performance of these would remain a monitorable.

Vivriti's Founder-Directors have considerable experience in the institutional lending business, especially the financial sector. The Group is steadily augmenting its management and employee base in view of the growth envisaged in the business volumes and product offerings, mainly via CAPL and VAM.

¹ CredAvenue Private Limited (CAPL) and Vivriti Asset Management Private Limited (VAM)

² Assets under management

In FY2021, the tech platform, CAPL, was 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. The business volumes (excluding portfolio monitoring mandates) stood at ~Rs. 10,600 crore in H1 FY2022 vis-à-vis ~Rs. 11,400 crore in FY2021.

The ratings are constrained by the Group's limited track record and subdued profitability indicators, which are largely impacted by the significant establishment costs in view of the envisaged scale-up at CAPL. Vivriti's liquidity profile is adequate at present and it has been able to improve its lender base in the recent past. It also expects to secure funding from overseas/international lenders going forward, which is expected to drive the expected growth in the AUM and business volumes over the near term and improve its earnings profile.

Key rating drivers and their description

Credit strengths

Recent equity raise in the Group and regular track record of infusion provide support to the capital structure – Vivriti's capitalisation profile is characterised by a consolidated managed gearing³ of 1.4x as of September 2021. It raised capital of Rs. 310 crore from Creation Investments LLC (Creations) during January-May 2019, Rs. 350 crore from LGT Lightstone in March 2020 and a further Rs. 100 crore from Creations in the current fiscal. The company is in the process of raising additional capital in the current fiscal to scale up its lending business. As of September 2021, Vivriti had invested Rs. 50 crore in CAPL and Rs. 30 crore in VAM; total investment in subsidiaries is about 10% of its net worth. It is expected to cap its investments (as percentage of its net worth) in its subsidiaries at the current level.

CAPL raised Rs. 675 crore in September 2021 from key investors, including Sequoia, Lightspeed, Lightrock and TVS Capital, to support its business growth. Vivriti is in the process of raising capital for its lending business in the near term. The Group intends to maintain the leverage (net worth/AUM) at a minimum of 20% while embarking on a steep growth plan over the medium term.

Prudent underwriting norms; proprietary tech platform to support business growth – Vivriti's AUM consists of exposures to financial service entities (63% as of September 30, 2021), enterprise finance (21%), co-lending (12%) and supply chain finance (SCF; 4%). Sector-wise, microfinance was the largest, contributing 18% to the AUM as of September 30, 2021 (21% as of March 31, 2021 and 28% as of March 31, 2020). Going forward, the company plans to continue reducing the share of its exposure to financial service entities (including the microfinance segment) backed by strong expansion in the non-financial enterprise segment. Overall, total non-retail exposures increased to 172 entities as of September 2021 vis-à-vis 122 as of March 2020, leading to a steady reduction in the portfolio concentration over the last two years. The company's exposure to guarantees and pass-through certificates (PTCs) was modest at 1% and 6%, respectively, and the combined share is envisaged to decline to less than 6% by March 2022. It also expects to increase the share of retail co-lending (secured by first loss default guarantee) and SCF in the near term.

Considering the credit risks arising from the wholesale nature of its exposures, Vivriti has a defined exposure limit at the borrower, product and sectoral level, which is prudent for the current scale of operations. It undertakes detailed due diligence during client on-boarding and monitors their performance on an ongoing basis to identify early warning signals. Nevertheless, the company's ability to continue maintaining strong control on its underwriting standards would remain a monitorable from a rating perspective as it continues to be on an aggressive expansion path.

The proprietary platform – CredAvenue – enables Vivriti's clients, ranging from unrated to the high rating category, to raise debt from institutional investors like banks, mutual funds, and 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. This

³ (Total debt including guarantee/net worth)

platform brings together all aspects of a deal through a collaboration module and offers automated workflow, which allows a seamless, efficient and faster turnaround for the execution of transactions. The platform has already been accessed and used by 1,800+ borrowers/issuers, 400+ lenders/investors, etc. CredAvenue has five sub-platforms for various debt products, namely loans, bonds, securitisation/assignment, SCF and co-lending. It has also bagged risk management mandates of more than \$3 billion relating to the portfolios of large banks.

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, mainly via CAPL and VAM. Currently, its board comprises two Founder-Directors, three Nominee Directors and two Independent Directors. The company has an advisory board with three directors.

Credit challenges

Limited track record; steep growth plans a monitorable – Vivriti has a limited track record as it commenced operations in June 2017. The company received its NBFC licence in January 2018. Vivriti's AUM grew by 80% YoY to Rs. 2,373 crore as of September 30, 2021. Of this, loans to NBFCs & enterprises (non-NBFCs) comprised 69%, followed by co-lending (12%), investments in NCDs and PTCs (11%), guarantee (1%) and others including bill discounting (6%). Vivriti expects to achieve an AUM of ~Rs. 3,100 crore by March 2022 and ~Rs. 5,400 crore by March 2023.

In H1 FY2021, CredAvenue was moved to a separate entity (CAPL), which the Group envisages to scale up by providing end-to-end debt management solutions to investors and issuers. The Group's fee income is being booked in CredAvenue from H2 FY2021. The overall fee income stood at Rs. 68.1 crore in H1 FY2022 (Rs. 39.8 crore in FY2021), representing significant growth in CAPL. The business volumes (excluding portfolio monitoring mandates) stood at ~Rs. 10,600 crore in H1 FY2022 vis-à-vis ~Rs. 11,400 crore in FY2021. While the Group is taking various initiatives to diversify its product profile, the ability to grow commensurately, diversify its fee income and achieve breakeven in CAPL would be key from an earnings perspective.

Subdued profitability indicators – On a standalone basis, Vivriti's net profitability (PAT/AMA⁴) improved to 2.6% (provisional) in H1 FY2022 from 1.6% in FY2021 (1.0% in FY2020), driven by a combination of higher AUM, lower operating costs due to the movement of ~170 employees to CAPL in H2 FY2021, and reduced credit costs. The provision & credit costs declined to 0.7% in H1 FY2022 from 1.6% in FY2021 due to lower incremental delinquencies.

On a consolidated basis, Vivriti's net profitability improved to 1.9% (provisional) in H1 FY2022 from 0.8% in FY2021 (0.9% in FY2020). The consolidated profitability remained under pressure with CAPL reporting a loss of Rs. 5.3 crore (provisional) in H1 FY2022 (Rs. 12.8-crore loss in FY2021) and VAM reporting a loss of Rs. 1.1 crore in H1 FY2022 (Rs. 5.8-crore loss in FY2021). Going forward, as CAPL is expected to invest further in augmenting its product profile, it is critical to scale up and improve its operating efficiency. Vivriti would limit its investment in its subsidiaries (CAPL and VAM) to 10% of its own net worth.

Vivriti's consolidated revenue stream comprises income from the lending business (loans to NBFCs and enterprises, retail loans and a small investment book), fee income from the CredAvenue platform and asset management income from VAM. The cost-to-income ratio continued to improve on a consolidated basis to ~65% in H1 FY2022 (~66% in FY2021 and ~75% in FY2020). However, with significant business expansion plans for CAPL, the consolidated earnings would remain under pressure as CAPL's earnings performance would be impacted by the higher establishment and scale-up costs.

Exposure to borrowers with moderate risk profile; increase in share of enterprise (non-financial sector) exposures a monitorable – Vivriti's credit exposures are predominantly to small-and-mid-sized NBFCs and corporates with moderate risk profiles. About 23% (excluding co-lending and SCF) of the total AUM, as of September 2021, was towards entities that are not rated. ICRA notes the sharp increase in the share of enterprise exposures (non-financial sector) in the overall AUM to ~25%

⁴ PAT/AMA – Profit after tax/average managed assets

(including SCF) in September 2021 vis-à-vis 14% in March 2020. As the company has a relatively lower track record in the enterprise segment vis-à-vis NBFCs and given its intention to increase its share further in this segment, the performance of this segment would remain a monitorable going forward.

ICRA, however, notes the steady moderation in the concentration of exposures with the top 20 exposures accounting for 24% of the AUM as of September 2021 (27% as of March 2021) vis-à-vis 41% as of March 2020, which mitigates the risks to some extent. As of September 30, 2021, the company had overdues of 0.6% of the AUM (1.3% as of March 2021) and the gross stage 3 assets stood at 0.4%. Vivriti carried provisions of 1.1% of the AUM as of September 30, 2021 (1.5% and 0.9% of the AUM as of March 31, 2021 and March 31, 2020, respectively). Going forward, the ability to keep the credit costs under control, considering the wholesale nature of the exposures, would be key from a rating perspective.

Liquidity position: Adequate

The company had Rs. 133.5 crore of cash and cash equivalents as of September 30, 2021 against debt and other obligations of Rs. 138.2 crore during October-November 2021. The asset-liability maturity (ALM) profile, as of September 2021, reflects positive cumulative mismatches across all buckets in the <1-year category. The liquidity profile also draws comfort from the collection efficiency, which stood at 99% in Q2 FY2022 though it dipped marginally to ~97% in Q1 FY2022 due to the intermittent Covid-19 pandemic-related lockdowns. Vivriti has about 42 lenders with banks comprising ~50% of the overall borrowings followed by NBFCs (30%); mutual funds and private wealth managers accounted for the balance. The company is also looking to raise funds from overseas lenders in the near term. It would be essential to tie up funding to achieve the envisaged AUM and business volume growth over FY2022-FY2023.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the company significantly improves its earnings profile and keeps a tight control over its delinquencies.

Negative factors – ICRA could downgrade the ratings or revise the outlook to Stable if there is a deterioration in the asset quality (90+ days past due (dpd)/AUM beyond 3%), thereby impacting its earnings performance. The sustained weakening of the capital (net worth/AUM below 20%) or 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	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 NBFCs and other enterprises.

Vivriti has a wholly-owned subsidiary, Vivriti Asset Management Private Limited (VAM), which manages alternative investment funds (AIFs). VAM manages three funds (Vivriti Samarth Bond Fund, Vivriti Short Term Bond Fund and Vivriti India Impact Bond Fund) with combined assets under management (AUM) of Rs. 687 crore as on October 31, 2021 and is in the process of launching more funds in the near term. In Q3 FY2021, Vivriti demerged its technology platform to CredAvenue Private Limited

(CAPL). In September 2021, CAPL raised Rs. 675 crore from various private equity investors including Lightspeed, Lightrock and TVS Capital. In H1 FY2022, CAPL reported a loss of Rs. 5.3 crore on revenue of Rs. 59.8 crore.

In H1 FY2022, Vivriti reported a net profit of Rs. 27.6 crore on total managed assets of Rs. 3,697.2 crore while it reported a net profit of Rs. 14.4 crore on total managed assets of Rs. 2,262.8 crore in FY2021.

Key financial indicators (audited) – IndAS

Vivriti Capital Private Limited (consolidated)	FY2020	FY2021	H1 FY2022 [#] (annualised)
Total income (Rs. crore)	148.9	245.7	218.3
Profit after tax (Rs. crore)	9.6	14.4	27.6
Net worth (Rs. crore)	662.8	781.1	817.9
Total managed assets (Rs. crore)	1,545.1	2,262.8	3,697.2
Return on net worth (%)	2.1%	2.0%	4.9%
Gearing (times)	1.2	1.8	1.4

Source: Company, ICRA Research

[#] Consolidated financials as per ICRA's calculation, based on best available information

Vivriti Capital Private Limited (Standalone)	FY2020	FY2021	H1 FY2022 (annualised)
Total income (Rs. crore)	148.2	225.1	153.3
Profit after tax (Rs. crore)	10.3	30.0	34.0
Net worth (Rs. crore)	663.5	797.1	837.9
AUM (Rs. crore)	1,009.0	1,905.0	2,373.4
Total managed assets (Rs. crore)	1,545.6	2,244.6	2,959.4
RoMA (%)	1.0%	1.6%	2.6%
Return on net worth (%)	2.3%	4.1%	8.3%
Gearing (times)	1.2	1.7	2.5
Gross NPA (%)	0.7%	0.3%	0.4%
Net NPA (%)	0.1%	0.0%	0.1%
CRAR (%)	64.5%	40.3%	31.8%

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.	Instrument	Current Rating (FY2022)			Chronology of Rating History for the Past 3 Years					
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2022	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020		Date & Rating in FY2019
					Dec-22-2021	Aug-03-2021	Mar-19-2021	Feb-17-2020	Jul-04-2019	Jan-23-2019
1	NCD	Long Term	438.00	438.00	[ICRA]A-(Positive)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)
2	MLD	Long Term	81.00	81.00	PP-MLD[ICRA]A- (Positive)	PP-MLD[ICRA]A- (Stable)	PP-MLD[ICRA]A- (Stable)	PP-MLD[ICRA]A- (Stable)	PP-MLD[ICRA]A- (Stable)	PP-MLD[ICRA]A- (Stable)
3	Long term fund-based CC	Long Term	40.00	40.00	[ICRA]A-(Positive)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)
	Long term fund-based TL	Long Term	571.79	571.79	[ICRA]A-(Positive)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)
	Long term-Unallocated	Long Term	488.21	0.00	[ICRA]A-(Positive)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)

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

Complexity level of the rated instrument

Instrument	Complexity Indicator
Non-convertible Debenture – Market Linked Debenture	Moderately Complex
Non-convertible Debenture	Simple
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: 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	571.79	[ICRA]A- (Positive)
NA	Long-term Fund Based	NA	NA	NA	40.00	[ICRA]A- (Positive)
NA	LT-Unallocated	NA	NA	NA	488.21	[ICRA]A- (Positive)
INE01HV07148	NCD	Feb-02-2021	10.57%	Feb-02-2024	10.00	[ICRA]A- (Positive)
INE01HV07031	NCD	Aug-16-2019	11.50%	Aug-16-2021*	10.00	[ICRA]A- (Positive)
INE01HV07049	NCD	Aug-26-2019	12.12%	Aug-26-2022	20.00	[ICRA]A- (Positive)
INE01HV07114	NCD	Dec-16-2020	10.00%	Jun-16-2022	40.00	[ICRA]A- (Positive)
INE01HV07122	NCD	Dec-31--2020	10.25%	Jun-30-2022	20.00	[ICRA]A- (Positive)
INE01HV07148	NCD	Feb-10-2021	10.57%	Feb-10-2024	10.00	[ICRA]A- (Positive)
INE01HV07163	NCD	Mar-18-2021	11.25%	Jul-25-2022	40.00	[ICRA]A- (Positive)
INE01HV07189	NCD	May-25-2021	10.50%	Aug-25-2022	30.00	[ICRA]A- (Positive)
Unutilised	NCD	NA	NA	NA	258.00	[ICRA]A- (Positive)
INE01HV07064	MLD	Feb-13-2020	NIFTY LINKED	Aug-13-2021*	5.35	PP-MLD[ICRA]A- (Positive)
INE01HV07106	MLD	Nov-27-2020	NIFTY LINKED	Nov-27-2022	10.00	PP-MLD[ICRA]A- (Positive)
Unutilised	MLD	NA	NA	NA	65.65	PP-MLD[ICRA]A- (Positive)

Source: Company

*ICRA is awaiting the relevant documentation from the company on these recently matured securities for withdrawal of the ratings outstanding

Annexure-2: List of entities considered for consolidated analysis

Company Name	Vivriti Ownership	Consolidation Approach
Vivriti Asset Management Private Limited	100.00%	Full Consolidation
CredAvenue Private Limited	58.29%	Full Consolidation

Source: Company

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