

November 01, 2023

Fourdegreewater Services Private Limited: Provisional [ICRA]BBB(SO) assigned to PTCs to be issued by Wint Basket 02

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Wint Basket 02	PTC Series A1	15.03	Provisional [ICRA]BBB(SO); Assigned

*Instrument details are provided in Annexure I

Rating in the absence of the pending actions/documents	No rating would have been assigned as it would not be meaningful
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Rationale

ICRA has assigned a provisional rating to pass-through certificates¹ (PTC) Series A1 to be issued under a securitisation transaction backed by non-convertible debentures (NCDs), wherein the seller/originator is Fourdegreewater Services Private Limited (Fourdegreewater). Fourdegreewater shall assign to Wint Basket 02 the future receivables arising from the NCDs 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(Stable)} and Vivriti Capital Limited {[ICRA]A(Stable)}.

The provisional rating is based on the strength of the cash flows from the selected pool of NCDs and the integrity of the legal structure. There is no external credit enhancement in the structure. The rating is subject to the fulfilment of all the conditions under the structure and the review of the documentation pertaining to the transaction by ICRA.

Key rating drivers

Credit strengths

- Diversity among borrower entities in terms of the varied business profiles
- Presence of entities with moderate to strong credit profiles

Credit challenges

- High obligor concentration in the pool (top obligor constituted ~17% of pool principal as on cut-off date)
- No external credit enhancement in the structure

Description of key rating drivers highlighted above

As on the cut-off date (October 25, 2023), the aggregate receivables stood at Rs. 16.50 crore with an underlying pool principal of Rs. 14.98 crore. The Trust will issue a single series of PTCs at a premium (PTC Series A1 amount of Rs. 15.03 crore) backed by the NCD receivables. 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.

¹ Also referred to as securitised debt instruments (SDI)

No external credit enhancement is available in the structure. The entities, the NCDs of which would be assigned to the Trust, have standalone/shadow ratings in the BBB and A categories. They 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 ~17% of the pool principal. 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.

Past rated pools: This is the second NCD-receivables-backed PTC transaction (originated by Fourdegreewater) to be rated by ICRA.

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 – An improvement in the credit profiles of the underlying entities could lead to an upgrade in the PTC rating.

Negative factors – The rating could be downgraded on the weakening of credit profile of the entities, which are a part of the pool, or on 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 and the performance expected over the balance PTC tenure.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Collateralised Debt Obligations
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned rating is provisional and would be converted into final upon the execution of:

1. Trust Deed
2. Assignment Agreement
3. Power of Attorney
4. Legal Opinion
5. Information Memorandum; and
6. Any others prescribed by the Transaction Counsel

Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at www.icra.in.

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. 1,000 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	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years		
		Instrument	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					November 01, 2023	-	-	-
1	Wint Basket 02	PTC Series A1	15.03	15.03	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
NA	Wint Basket 02	PTC Series A1	October 2023	10.03%	May 01, 2025	15.03	Provisional [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:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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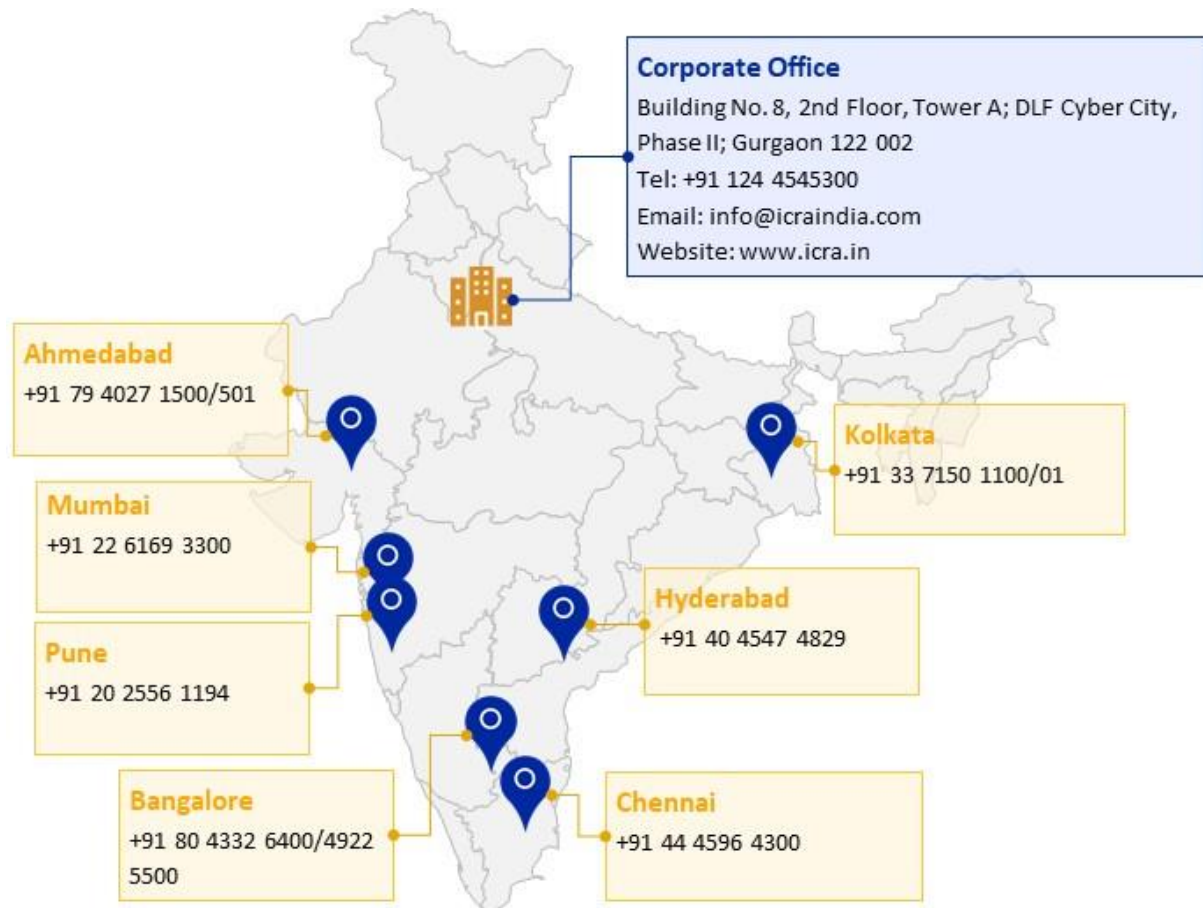
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