

March 06, 2024

Krasha Financial Services Private Limited: Provisional [ICRA]BB+(SO) assigned to PTCs to be issued by ZENITH SDI 1 TRUST

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
ZENITH SDI 1 TRUST	Series A1 PTCs	11.80	Provisional [ICRA]BB+(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 the Series A1 pass-through certificates (PTCs)/securitised debt instruments (SDIs) to be issued under a securitisation transaction originated by Krasha Financial Services Private Limited (Krasha/originator/lessor). The PTCs are backed by lease discounting receivables from Cherise (India) Private Limited (Cherise/obligor/lessee) for tea vending machines (assets) to be leased by Krasha.

The receivables shall include all rental payments, including the goods and services tax (GST) component (rentals) and the tax deducted at source (TDS), net of TDS (if applicable), due from the lessee to the lessor as per the terms of the master rent agreement (MRA).

Credit enhancement in the form of a funded first loss credit enhancement (FLCE) provided by the lessee, equivalent to 10% of the aggregate purchase consideration acts as the first tier of protection for the shortfalls in the collection of the receivables to meet any shortfall in the investor payouts. Further, an unfunded FLCE provided by the originator, equivalent to 10% of the aggregate purchase consideration, acts as the first tier of protection for the shortfalls in the collection of the receivables to meet any shortfall in making the yield payments to the Series A1 PTC holders as well as for the redemption of Series A1 PTCs on the respective due dates as per the waterfall mechanism.

The assigned rating is based on Cherise's credit profile and the integrity of the legal structure. The provisional 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

- Transaction structure ensures no commingling of receivables with the originator, effectively carrying the credit risk of the lessee (Cherise)
- Cushion of 10 business days between the due dates for the rental payments and the corresponding PTC payout dates and an additional gap of more than 40 days between the last payout date and the legal maturity date

Credit challenges

- No track record of lease payments as this is the first lease rental transaction between the originator and the lessee
- Single obligor in the pool; hence, payouts on instrument are strongly linked to the obligor's credit profile

Description of key rating drivers highlighted above

The trustee shall settle a trust and the receivables due from the lessee to the lessor shall be assigned by the lessor to the trust (on a non-recourse basis). The trust would issue a single series of PTCs backed by the same. The receivables shall include all

rental payments, including the GST component and net of TDS (if applicable), due from the lessee to the lessor as per the terms of the MRA. The gross rentals will remain unchanged even if there is any change in the GST rate applicable.

The trustee shall open a no-lien Collection and Payout Account (CPA) in the nature of a Trust & Retention Account (Trust Account) with a bank. The lessee shall directly transfer the rentals into the CPA of the trust. All monies credited in the CPA shall be held in the trust for the benefit of the investors and as per the waterfall mechanism defined in the transaction documents. Thus, the transaction structure ensures that there is no commingling of receivables with the lessor, thereby effectively carrying the credit risk of the lessee.

The rentals payable by the lessee would be paid directly into the Trust Account at monthly intervals over a period of 36 months from the date of execution of the MRA. In the event of the termination of the MRA, the receivables shall include the termination amount due from the lessee to the lessor as per the terms of the MRA. The termination amount shall mean the present value of all the future receivables due on the date of the termination of the MRA (arrived at by discounting the future receivables at a discounting rate referenced to the Internal Rate of Return (IRR) under the PTCs). Thus, even if the MRA is terminated, the PTC investors will not be subjected to any shortfall in the monthly payout.

The loan pool receivables will be assigned at par to the PTC investors. The credit enhancement in the form of a funded FLCE provided by the lessee, equivalent to 10% of the aggregate purchase consideration, acts as the first tier of protection for the shortfalls in the collection of the receivables to meet any shortfall in investor payouts. The credit enhancement would be in the form of a fixed deposit lien marked in favour of the trustee. Further, an unfunded FLCE provided by the originator, equivalent to 10% of the aggregate purchase consideration, acts as the first tier of protection for the shortfalls in the collection of the receivables to meet any shortfall in making the yield payments to the A1 PTC holders as well as for the redemption of the A1 PTCs on the respective due dates as per the waterfall mechanism.

Though the PTCs will be paid on a monthly basis, the principal and interest payments are promised on the final maturity date, which would be 36 months from the date of issuance. The rentals must be deposited in the CPA at least 10 days before each expected payout date. In ICRA's view, the cushion of 10 days between the due date of the rental payment under the MRA and the corresponding PTC payout date is sufficient to manage any operational delays in the rental payment by the lessee, thus ensuring timely payment to the PTC investors. Further, there is an additional gap of more than 40 days between the last payout date and the legal final maturity date.

The rating remains exposed to high concentration risk as the rentals are to be received from a single counterparty, viz. Cherise. Further, there is no track record of payment between the lessee and the lessor as this is the first arrangement between them; nonetheless, the lessee has been paying rentals under other existing lease agreement(s). The lessor would be assigning its rights in the receivables to the trust, which would therefore be entitled to all the rights available to the lessor. The rental payments will be bankruptcy remote from the lessor.

The assigned rating is based on the credit profile of Cherise, the relationship between Krasha and Cherise, and the integrity of the legal structure.

Past rated pools: This is the first transaction originated by Krasha, which has been rated by ICRA.

Key rating assumptions

To arrive at the rating, ICRA has relied on the credit profile of the lessee. Also, the structural features provide strength to the transaction.

Liquidity position: Adequate

Cherise’s payment obligations to Krasha are being securitised in the proposed transaction. As per the transaction structure, the interest and the principal amount are promised to the PTC holders on the scheduled maturity date of the transaction. Basis the on-balance sheet liquidity available with Cherise to meet its various payment obligations, the liquidity is deemed to be adequate for the transaction to meet the promised payouts to the Series A1 PTC investors.

Rating sensitivities

Positive factors – The rating can be upgraded if there is an improvement in the lessee’s credit profile.

Negative factors – The rating can be downgraded if there is a deterioration in the lessee’s credit profile or non-adherence to the terms of the transaction. The rating would be under pressure if delays are observed in the lease rental payments by the lessee.

Analytical approach

The rating action is based on the legal structure of the transaction and factors in the payment mechanism along with the lessee’s credit profile.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
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. Deed of assignment
3. Legal opinion
4. Trustee letter
5. Notice of assignment
6. Master rental agreement
7. Any other documents executed for the transaction

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 originator/lessor

Krasha Financial Services (Krasha) was established in November 2023 with a focus on originating lease receivables and other structured finance instruments. In conjunction with leasing of assets, Krasha transfers a portion or all of the receivables from its clients to third parties on a non-recourse basis. Krasha’s management comes with prior experience in Fixed Income markets and have managed over \$2 billion in the past with leading asset management institutions.

As it is a recent establishment, Krasha is yet to publish its financial statements.

About the lessee

Established in 2018, Cherise (India) Private Limited is a product-as-a-service (PaaS) based smart vending and distribution platform, which is business-to-business-to-consumer (B2B2C) as well as direct-to-consumer (D2C). It manufactures smart vending machines along with a large variety of teas, coffees, milk, soups and fortified beverages, which are dispensed via its Internet of Things (IoT) enabled machines and are also sold offline and online. These smart vending machines use advanced mechatronics and run on the company's fully inclusive IoT proprietary chipsets (printed circuit boards; PCBs), firmware and software, which enable it to ensure that the machines accept and vend only Cherise beverages. Every Cherise smart vending machine is GEO tracked and geofenced, contains a 4G sim card, has Wi-Fi, Bluetooth and is NFC RFID card enabled, allowing the company to monitor and control the data in real time. Cherise also provides its customers with access to its state-of-the-art IoT vending platform dashboard, which gives them real-time data on consumer consumption patterns, inventory and billing.

Key financial indicators – Cherise Group

	FY2021 (audited)	FY2022 (audited)	FY2023 (audited)
Operating income (OI)	6.1	16.1	36.7
OPBITDA	1.1	3.7	8.4
Depreciation	0.4	1.1	2.2
Interest	0.0	0.6	2.4
Profit after tax (PAT)	0.6	1.5	2.9
Total debt	2.4	10.6	27.8
Tangible net worth (TNW)	6.6	12.1	30.0

Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	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
					March 06, 2024	-	-	-
1	ZENITH SDI 1 TRUST	Series A1 PTCs	11.80	11.80	Provisional [ICRA]BB+(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 PTCs	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

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate [^]	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
ZENITH SDI 1 TRUST	Series A1 PTCs	February 2024	16.34%	April 25, 2027	11.80	Provisional [ICRA]BB+(SO)

* Scheduled maturity date is 36 months from date of issuance; may change on account of prepayments

[^]Gross pre-tax yield (compounded monthly); in case of any delay in principal payments, an additional 2% penalty would be paid per month over and above the coupon amount

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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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