

February 19, 2018

## Visage Holdings and Finance Private Limited

### Summary of Rated Instruments

Sl.	Trust Name	Instrument*	Initial Issued Amount (Rs. crore <sup>1</sup> )	Rating action
1	Vivriti Helm 002 2018	PTC Series A1	22.76	Provisional [ICRA]A-(SO) Assigned
		PTC Series A2	1.85	Provisional [ICRA]BBB-(SO) Assigned

*\*Instrument details are provided in Annexure I*

### Rating Action

ICRA has assigned provisional [ICRA]A-(SO) and provisional [ICRA]BBB-(SO) ratings to PTC Series A1 and PTC Series A2 respectively under a securitisation transaction originated by Visage Holdings and Finance Private Limited (VHFPL).

### Rationale

VHFPL would assign to an SPV (Trust) namely Vivriti Helm 002 2018, the future receivables arising from selected pool of 1,140 loans. The transfer would be at par. The Trust will issue two series of PTCs backed by the receivables. The upfront purchase consideration to be paid by PTC A1 investors to the Trustee will be 86.00% of the pool principal i.e. Rs. 22.76 crore while that payable by PTC A2 investors to the Trustee will be 7.00% of the pool principal i.e. Rs. 1.85 crore.

The provisional ratings are based on the strength of cash flows from the selected pool of contracts, VHFPL's portfolio performance, the available credit enhancement and the integrity of the legal structure. The ratings are subject to fulfilment of all conditions under the structure and the review of documentation pertaining to the transaction by ICRA.

### Key rating drivers

#### Credit Strengths

- Availability of credit enhancement in the form of Principal Subordination, EIS and Credit Collateral;
- Absence of any overdue contracts as on pool cut-off date
- Moderate seasoning at around 12.8 months compared to residual tenure of 46 months for the pool and high pre securitisation amortization of 36% in the pool;

#### Credit Weakness

- Higher share of unsecured loans in the pool

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<sup>1</sup> 100 lakh = 1 crore = 10 million

**Description of key rating drivers highlighted above:**

The first line of support for Series A1 PTCs in the transaction is in the form of subordination of 14.00% of the pool principal (includes principal payable to PTC A2 and over collateralization). After PTC A1 has been fully paid, subordination of 7.00% of the pool principal will be available for PTC A2 (in the form of over collateralization). An important feature of the structure in this transaction is that any collection in excess of the promised interest payouts to PTC A1 would be first utilised for payment of scheduled principal of PTC A1 and then for expected interest payouts to PTC A2. After PTC A1 is completely amortised the collections would be utilised for payment of promised interest and scheduled principal to PTC A2. All excess collections on the pool after meeting the aforementioned payouts will flow back to the Originator on a monthly basis.

Cash collateral of 4.00% of the initial pool principal provided by VHFPL acts as further credit enhancement in the transaction. In the event of shortfall in meeting the promised PTC payouts during any month, the Trustee will utilize the cash collateral to meet the shortfall.

The pool consists of Small Business Loans (SBLs) with a moderately high seasoning of 12.8 months and no overdue as on cut-off date. The pre securitization amortization of the pool is also high at 36%.

The pool consists of high share of Unsecured Working capital loans (~49%). The share of Secured Working capital loans, Asset Purchase loans and Machine Refinance loans in the pool is lower at 31%, 19% and 1% respectively of the total pool principal.

**Key rating assumptions**

ICRA's cash flow modeling for rating ABS transactions involves simulation of potential delinquencies, losses and prepayments in the pool. The assumptions for mean shortfall and the Co-efficient of Variation (CoV) are arrived on the basis of the values observed in the analysis of the Originator's loan portfolio. Additionally, the assumptions may also be adjusted to account for the current macro economic situation as well as any industry specific factors that ICRA believes could impact the performance of the underlying pool contracts.

After making the aforementioned adjustments, the expected mean shortfall in principal collection during the tenure of the pool is estimated to be about 7.0% - 8.0%, with certain variability around it. The prepayment rate for the underlying pool is estimated to be in the range of 12.0% - 18.0% per annum.

**Analytical approach:**

The rating action is based on the performance of the profile of the current pool, performance of VHFPL's portfolio till December 2017, performance expected over the balance pool tenure, and the credit enhancement available in the current transaction.

**Links to applicable Criteria**

[Rating Methodology for Securitisation Transactions](#)

**About the Company:**

Visage Holdings and Finance Private Limited (VHFPL) is a non-deposit taking Non-Banking Finance Company, incorporated in Delhi in 1996. The current promoters of the company acquired VHFPL in September 2011 and commenced lending operations in November 2011.

VHFPL offers credit facilities to small businesses (manufacturing and trading) under the brand name 'Kinara Capital'. The company offers secured (hypothecation) and unsecured term loans and working capital facilities with a maximum ticket size of Rs.20.0 lakh. Currently, the company operates in Tamil Nadu, Karnataka, Maharashtra, Gujarat, Andhra Pradesh, Orissa, Madhya Pradesh and Telangana, with its head office in Bangalore. As on December 31, 2017, VHFPL had been operating in eight states, and has a portfolio of Rs.295.6 crore.

The company reported a profit after tax of Rs.0.9 crore on a total managed asset base of Rs. 291 crore during H1 FY2018. During FY2017, the company had reported a profit after tax of Rs. 1.8 crore on a total managed asset base of Rs. 248 crore. ICRA has a rating outstanding of [ICRA]BBB-(Stable) for the long-term instruments of VHFPL.

#### **Key Financial Indicators (Audited)**

	<b>FY2016</b>	<b>FY2017</b>
Net income(Rs. crore)	12.2	32.7
Profit after tax(Rs. crore)	0.1	1.8
Net Worth	23.6	25.4
Total Managed Assets(Rs. crore)	92.1	248.1
CRAR (%)	29.7%	23.5%
Gearing (times)	2.7	7.5
% Return on Managed Assets	0.2%	1.1%
% Return on net worth	0.9%	0.8%
% Gross NPAs	1.4%	1.3%
% Net NPA1.4%'s	0.9%	0.8%
Net NPA/Net worth	2.8%	5.5%

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for last three years:**

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	Month-year & Rating February 2018	Month-year & Rating in FY2017	Month-year & Rating in FY2016	Month-year & Rating in FY2015
1	Vivriti Helm 002 2018	PTC Series A1	22.76	Provisional [ICRA]A-(SO)	-	-	-
		PTC Series A2	1.85	Provisional [ICRA]BBB-(SO)	-	-	-

**Complexity level of the rated instrument: Highly Complex**

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 I**  
**Details of Instruments**

Sl.	Trust Name	Instrument	Date of Issuance	Coupon Rate	Scheduled Maturity Date	Initial Amount (Rs. crore <sup>2</sup> )	Current Rating
1	Vivriti Helm 002 2018	PTC Series A1	February 2018	10.25%	December 2021	22.76	Provisional [ICRA]A-(SO)
		PTC Series A2		14.00%	December 2021	1.85	Provisional [ICRA]BBB-(SO)

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<sup>2</sup> 100 lakh = 1 crore = 10 million



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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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