

## Press Release

Vedika Credit Capital Limited - Kiplatform - M22 – 007

August 16, 2022



## Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Pass Through Certificates (PTCs)	0.86	Provisional   ACUITE BBB+   SO   Assigned	-
Pass Through Certificates (PTCs)	18.25	Provisional   ACUITE A   SO   Assigned	-
Total Outstanding Quantum (Rs. Cr)	19.11	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has assigned rating of '**ACUITE PROVISIONAL A(SO)**' (read as **ACUITE Provisional A (Structured Obligation)**) to the Rs. 18.25 Cr. Series A1 Pass Through Certificates (PTCs). Acuite has also assigned rating of '**ACUITE PROVISIONAL BBB+ (SO)**' (read as **ACUITE Provisional triple B plus (Structured Obligation)**) to the Rs. 0.86 Cr. Series A2 PTCs issued by KIPLATFORM - M22 – 007 (The Trust) under a securitisation transaction originated by VEDIKA CREDIT CAPITAL LIMITED (The Originator). The PTCs are backed by a pool of loans provided to individuals for MFI with principal outstanding of Rs. 21.47 Cr. (including Rs. 2.36 Cr. of overcollateralisation).

The provisional rating is based on the strength of cash flows from the selected pool of contracts; the credit enhancement is available to the Series A1 PTCs in the form of:

- Cash collateral of 9.00% of the pool principal; and
- Overcollateralisation of 11% of the pool principal.
- Excess Interest Spread of Rs. 1.59 Cr. i.e. 7.39% of the pool principal
- A subordinated A2 tranche of 4% of the pool principal, where the investor is Kaliedofin Pvt. Ltd.

The credit enhancement is available to the Series A2 PTCs in the form of:

- Cash collateral of 9.00% of the pool principal; and
- Overcollateralisation of 11% of the pool principal.
- Excess Interest Spread of Rs. 1.59 Cr. i.e. 7.39% of the pool principal

Collections of a particular month will be utilized to make promised interest and expected principal payouts to Series A1 PTCs and expected interest payment to Series A2 PTCs. The provisional rating addresses the timely payment of interest on monthly payment dates and the ultimate payment of principal by the final maturity date, in accordance with transaction documentation. The transaction has a turbo amortization, wherein EIS flow back to the originator shall take place only after Series A1 PTCs have been redeemed in full.

The rating of the PTCs is provisional and shall be converted to final rating subject to the execution of the following documents:

1. Trust Deed
2. Deed of Assignment
3. Servicing Agreement
4. Legal Opinion
5. Final Term Sheet

### About the Originator

Jharkhand based VCCL, is a Non-Banking Finance Company (NBFC) Micro Finance Institution (MFI) primarily engaged in extending Micro loans to women borrowers under the Joint Liability Group Model since 2007. The company has presence in 7 states, primarily in eastern India through a network of 192 branches as on June 30, 2022. The company was originally incorporated in 1995 by a different set of owners and subsequently, the company was taken over in 2004 by the present promoters, Mr. Ummed Mal Jain (Chairman) and his sons, Mr. Gautam Jain and Mr. Vikram Jain. Mr. Gautam Jain (Managing Director) was initially engaged in traditional financing and gradually instrumented his aim to transform his lending operations into a recognized and regulated NBFC-MFI - VCCL. The promoters are engaged in two wheeler financing through Vedika Fincorp Limited, a group company of VCCL.

The company has increased its geographical presence from three states, i.e. Bihar, Jharkhand, and West Bengal in 2016 to seven states in 2020 by diversifying to Assam, Uttar Pradesh, Tripura and Odisha and increased network coverage from 44 branches as on March 31, 2016 to 192 branches as on June 30, 2022. The company's AUM stood at Rs. 752.55 Cr. as on June 30, 2022.

### Assessment of the pool

VCCL has Asset Under Management of Rs. 752.55 Cr as on June 30, 2022. The underlying pool of Rs 21.47 Cr in current Pass Through Certificate (PTC) transaction comprises of MFI loans has been extended towards 11,606 individual borrowers, displaying significant granularity, with an average ticket size of Rs. 29,295, minimum ticket size of Rs. 13,900 and maximum of Rs. 3,00,000. The current average outstanding per borrower stands at Rs. 18,496. The weighted average original tenure for pool is of 18.24 months (minimum 12 months & maximum 24 months). The pool has a healthy weighted average seasoning of 6.09 months (minimum 5 months seasoning and maximum of 8 months seasoning). Furthermore, none of the loans in the pool had gone into the Non-CURRENT bucket since origination, which are healthy signs. 77.7% of the customers in the pool belonged to the agriculture-allied industries, followed by 20% in the business industry. 26.5% of the borrowers are concentrated in Bihar followed by 24.1% in Jharkhand and 20.7% in Uttar Pradesh, 11.6% in Tripura, 9.3% in West Bengal and 7.9% in Odisha displaying moderate geographical concentration. The top 10 borrowers of pool constitute 0.52% (i.e. Rs.5.83 lakhs) of the pool principal O/s.

### Credit Enhancements (CE)

The credit enhancement is available to the Series A1 PTCs in the form of:

- i. Cash collateral of 9.00% of the pool principal; and
- ii. Overcollateralisation of 11% of the pool principal.
- iii. Excess Interest Spread of Rs. 1.59 Cr. i.e. 7.39% of the pool principal.
- iv. A subordinated Tranche of 4% of the pool principal, where the investor is Kaliedofin Pvt. Ltd.

The credit enhancement is available to the Series A2 PTCs in the form of:

- i. Cash collateral of 9.00% of the pool principal; and
- ii. Overcollateralisation of 11% of the pool principal.
- iii. Excess Interest Spread of Rs. 1.59 Cr. i.e. 7.39% of the pool principal.

### Transaction Structure

Collections of a particular month will be utilized to make promised interest and expected principal payouts to Series A1 PTCs and expected interest payment to Series A2 PTCs. The

provisional rating addresses the timely payment of interest on monthly payment dates and the ultimate payment of principal by the final maturity date, in accordance with transaction documentation. The transaction has a turbo amortization, wherein EIS flow back to the originator shall take place only after Series A1 PTCs have been redeemed in full. The EIS will be utilized to repay/prepay the Series A1 PTC investors as and when the need arises.

### **Assessment of Adequacy of Credit Enhancement**

Acuité has arrived at a base case delinquency estimate of 3.0 – 4.0 % in respect of the loan assets being securitised. Acuite has further has applied appropriate stress factors to the base loss figures to arrive at the final loss estimates and consequently the extent of credit enhancement required. The final loss estimates also consider the risk profile of the particular asset class i.e. MFI loans, the borrower strata, economic risks and the demonstrated collection efficiency over the past eleven months. Acuité has also considered the track record of operations of the originator and certain pool parameters while arriving at the final loss estimate.

### **Legal Assessment**

The final rating will be assigned based on the fulfilment of the structure, terms and covenants detailed in the executed trust deed, servicing agreement, legal opinion, accounts agreement, assignment agreement and other documents relevant to the transaction.

### **Key Risks**

#### **Counterparty Risks**

The pool has average ticket size of Rs. 29,295, minimum ticket size of Rs. 13,900 and maximum of Rs. 3,00,000. Considering their vulnerable credit profile of the borrowers, the risk of delinquencies/defaults are elevated. These risks of delinquencies are partly mitigated, considering the efficacy of the originator's origination and monitoring procedures.

#### **Concentration Risks**

Since the pool is entirely granular, i.e. underlying assets in the pool are in nature of MFI loans to 11,606 individual borrowers, hence the risk is significantly mitigated.

#### **Servicing Risk**

There is limited track record of servicing PTCs, since this is one of the first few PTC transactions for the originator.

#### **Regulatory Risk**

In the event of a regulatory stipulation impacting the bankruptcy remoteness of the structure, the payouts to the PTC holders may be impacted.

#### **Prepayment Risk**

The pool is subject to prepayment risks since rate of interest is significantly high and borrowers may be inclined to shift to low cost options (based on availability). Prepayment risks are partially mitigated by prepayment penalty levied by the company for pre-closures. In case of significant prepayments, the PTC holders will be exposed to interest rate risks, since the cash flows from prepayment will have to be deployed at lower interest rates.

#### **Commingling Risk**

The transaction is subject to commingling risk since there is a time gap between last collection date and transfer to payout account.

### **Outlook : Not Applicable**

### **Key Rating sensitivity**

- Collection performance of the underlying pool
- Credit quality of the underlying borrowers

- Decrease in cover available for PTC payouts from the credit enhancement

### Material Covenants

The following covenant is included in the transaction structure: The Purchase Consideration to be paid by the Issuer to the Originator for purchasing the Pool is the sum of the Series A1 Issue Price and the Series A2 Issue Price.

### Liquidity Position

#### Adequate

The liquidity position in the transaction is adequate. The cash collateral available in the transaction amounts to 9.00% of the pool principal. The Series A1 PTC payouts will also be

supported by a subordinated Tranche (4.00 % of pool principal), overcollateralisation of 11% of the pool principal and excess interest spread (7.39% of pool principal).

### Key Financials - Originator

Particulars	Unit	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs. Cr.	756.23	462.35
Total Income*	Rs. Cr.	51.27	48.07
PAT	Rs. Cr.	23.25	6.42
Net Worth	Rs. Cr.	104.71	85.11
Return on Average Assets (RoAA)	(%)	3.82	1.30
Return on Average Net Worth (RoNW)	(%)	24.49	9.54
Debt/Equity	Times	6.13	4.12
Gross NPA	(%)	2.01	2.21
Net NPA	(%)	0.00	0.00

\*Total income equals to Net Interest Income plus other income

### Any other information

Not Applicable

### Supplementary disclosures for Provisional Ratings

#### Risks associated with the provisional nature of the credit rating

In case there are material changes in the terms of the transaction after the initial assignment of the provisional rating and post the completion of the issuance (corresponding to the part that has been issued) Acuite will withdraw the existing provisional rating and concurrently assign a fresh final rating in the same press release, basis the revised terms of the transaction.

#### Rating that would have been assigned in absence of the pending steps/ documentation

In the absence of the pending steps/ documents the PTC structure would have become null and void, and Acuite would not have assigned any rating.

#### Timeline for conversion to Final Rating for a debt instrument proposed to be issued

The provisional rating shall be converted into a final rating within 90 days from the date of issuance of the proposed debt instrument. Under no circumstance shall the provisional rating continue upon the expiry of 180 days from the date of issuance of the proposed debt instrument.

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Securitised Transactions - <https://www.acuite.in/view-rating-criteria-48.htm>

## Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Pass Through Certificate	17-09-2022	11.25	17-02-2024	18.25	Provisional   ACUITE A   SO   Assigned
Not Applicable	Not Applicable	Pass Through Certificate	17-09-2022	14.50	17-02-2024	0.86	Provisional   ACUITE BBB+   SO   Assigned

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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