



Press Release
VIVIFI INDIA FINANCE PRIVATE LIMITED
October 25, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	100.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of ‘**ACUITE BBB-**’ (read as **ACUITE triple B minus**) on the Rs. 100.00 Crore bank facilities of Vivifi India Finance Private Limited (VIFPL). The outlook is ‘**Stable**’.

Rationale for rating

The assigned rating is on account of the company’s experienced promoters, improved earnings profile, and strong capitalization. The promoters have successfully developed a scalable business model through a technology-driven digital lending platform, enabling the company to expand its operations significantly, with disbursements increasing from Rs 320.75 Cr. in FY22 to Rs.1052.48 Cr. in FY23 and Rs 1,140.78 Cr. in FY24 . The rating also considers the regular capital infusions, including the latest infusion of approximately Rs 120 Cr. in FY24. The company maintains a solid capital structure, with a net worth of Rs 212.40 Cr. and total debt of Rs 458.83 Cr, resulting in a gearing ratio of 2.16 times as of March 31, 2024.

However, the ratings are constrained by the company’s moderate scale of operations and the inherent risks associated with VIFPL’s portfolio, primarily due to the unsecured nature of the loans and the moderate credit profile of its borrowers. Consequently, the asset quality is highly susceptible to economic fluctuations or other disruptions. Additionally, the company’s track record is relatively short, as significant business expansion has occurred over 3 years. Furthermore, the regulatory environment for fintech lenders is currently in flux, making the impact of regulatory changes on the company’s operations a critical area to monitor. VIFPL ability to manage its credit costs and sustain overall profitability while expanding its loan portfolio remains a key factor for rating consideration.

About the company

Vivifi India Finance Private Limited, incorporated in 2016 registered in Hyderabad, Telangana under the directorship of Mr. Anil Kumar Pinapala, Mr. Vijayaraghavan Venugopal, Mr. Patrick Kishore Regulagadda, Mr. Srinath Kompella, Ms. Tina King Hodges and Ms. Jyoti Kumar Pandey is engaged in providing flexible term loans for individuals and businesses. The primary objective of the firm is doing business as a non-banking finance company (NBFC) in unsecured retail consumer lending segment.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has taken Standalone approach to assess the VIFPL.

Key Rating Drivers

Strength

Adequate Capitalisation level

VIFPL has received capital infusion of Rs. 120 Cr. in FY24. The company has comfortable capital structure marked with net worth of Rs. 212.40 Cr. and Total debt of Rs. 458.83 Cr. resulting in gearing of 2.16 times as on Mar'24. Capital adequacy profile of the company remains comfortable with the overall capital adequacy ratio (CAR) of 30.01 percent as on March 31,2024.

Acuité expects VIFPL's capital structure and business to continue to benefit from fund raising ability from

investors.

Stable track record of earning profile for past 3 years

The earning profile has improved significantly in last 3 years. Vivifi reported a PAT of Rs.20.19 Cr. as against Rs. 16.82 Cr. in FY23 and Rs. 1.94 Cr. in FY22. The company's ROAA stood at 3.43 percent as on March 31,2024 as against 5.11 percent as on March 31,2023 (1.62 percent as on March 31,2022). Going forward, the company's ability to scale up the business profitably while controlling its credit costs will remain a monitorable.

Rapid Scalability through technology-driven risk assessment model

VIFPL follows digital lending model with majority of credit underwriting process performed digitally. This enables the company to achieve scalability in business at a faster pace with well-defined risk and rule engines continuously monitoring asset quality metrics. VIFPL has no branches, and the lending process is entirely digital through its mobile application. The entire credit risk underwriting processes – origination, risk assessment and disbursement are digitally performed. Minimal manual intervention allows the company grow its loan portfolio at a faster pace with asset quality metrics being monitored.

Weakness

Unsecured nature of loans and moderate borrower profile likely to keep asset quality volatile

The inherent riskiness in VIFPL's portfolio remains high due to unsecured nature of loans and the moderate borrowing profile. VIFPL's borrower mostly comprises of salaried individual segment. VIFPL asset quality moderated to 4.49 percent as on March 31,2024 as compared to 3 percent as on March 31,2023. The company has a write off policy of 180+ DPD. Acuite observes that while high credit cost is a key feature of companies operating in the digital unsecured lending/personal loan segment, it reflects relatively higher risk of unsecured lending business.

Moderate Scale of Operation

VIFPL has commenced its operation in FY2017-FY2018 in digital lending space. VIFPL's AUM grew to Rs. 533.33 Cr. as on March 31,2024 from Rs. 422.32 Cr. as on March 31,2023 (Rs. 151.68 Cr. as on March 31,2022). Acuite notes that a large portion of the growth for the company has come from last couple of fiscals. Given the scale up in the recent past, the ability to control asset quality metrics would be demonstrated only over medium term. Acuite observes that credit risk models based on data analytics and machine learning will continuously evolve both with time as well as and with growth in portfolio.

Regulatory risk

The ratings also take note of the regulatory risk associated with entities operating in digital lending as the regulations are still evolving. With digital lending gaining momentum and size, and regulations in the industry also evolving, exposing the industry to regulatory risk, the extent of impact for fintech players varies depending on the business model followed by each of the entity.

Rating Sensitivity

- Promoter/ investor support
- Significant and sustained increase in AUM
- Movement in profitability and asset quality metrics
- Capitalisation and liquidity buffers
- Changes in Regulatory environment

Liquidity Position

Adequate

VIFPL reported adequate liquidity profile as on Mar, 2024 with no negative cumulative mismatches in near to medium term. VIFPL's cash and cash equivalents stood at Rs.120 crore as on Mar, 2024.

Outlook:Stable

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Total Assets	Rs. Cr.	703.20	473.24
Total Income*	Rs. Cr.	151.70	109.65
PAT	Rs. Cr.	20.19	16.82
Net Worth	Rs. Cr.	212.40	72.21
Return on Average Assets (RoAA)	(%)	3.43	5.11

Return on Average Net Worth (RoNW)	(%)	14.19	26.35
Total Debt/Tangible Net worth (Gearing)	Times	2.16	5.21
Gross NPA	(%)	4.49	3.00
Net NPA	(%)	3.40	2.71

*Total income equals to Operating Income net off interest expense

Status of non-cooperation with previous CRA (if applicable):

None

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating history:Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	100.00	Simple	ACUITE BBB- Stable 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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