



Press Release

VELICHAM FINANCE PRIVATE LIMITED - SOCIAL IMPACT TRUST JANUARY 2025

April 25, 2025

Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Pass Through Certificates (PTCs)	7.49	ACUITE BBB+ SO Assigned Provisional To Final	-
Total Outstanding Quantum (Rs. Cr)	7.49	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned and converted from Provisional to Final long-term rating of '**ACUITE BBB + (SO)**' (read as **ACUITE triple B plus (Structured Obligation)**) to the Rs. 7.49 Cr. Securitization Note (SN) in the form of Pass Through Certificate (PTC) issued by SOCIAL IMPACT TRUST 01 2025 (The Trust) under a securitisation transaction originated by VELICHAM FINANCE PRIVATE LIMITED (The Originator).

The series A1 SN is backed by a pool of loans consisting of unsecured MSME and Agri and allied loans which comprise a principal outstanding of Rs. 8.14 Cr.

The final rating of the SNs has been assigned as the following documents have been received:

1. Trust Deed
2. Deed of Assignment
3. Servicing Agreement
4. Legal Opinion
5. Final Term Sheet
6. Other relevant documents : (Account Agreement and Power of Attorney)

The rating is converted from provisional to final based on the adherence to the structure, terms and covenants detailed in the executed trust deed, servicing agreement, legal opinion, assignment agreement, final term sheet and other documents relevant to the transaction.

About the Originator

Chennai based Velicham Finance Private Limited (VFPL) is an NBFC engaged in extending secured and unsecured loans towards MSME borrowers and income generation loans. Velicham Finance Private Limited (VFPL) has its genesis with Bharathi Women Development Centre (BWDC), which was established in December 1987 as a Society by Mr. Nagarajan Muthukrishnan, who is the Managing Director of Velicham Finance Private Limited (VFPL). The company operates in Tamil Nadu, Puducherry and Kerala with a network of 47 branches as on December 31, 2024.

Standalone Rating of the Originator ((if rated by Acuite)

Acuite BBB-/Stable

Assessment of the Pool

VFPL had Assets under management of Rs. 220.01 Cr. as on December 31, 2024. The current pool being

securitised comprises 3.70 percent of the total AUM. The underlying pool in the current Securitization Note in the form of Pass Through Certificate (PTC) transaction comprises of unsecured MSME, Agri and allied loans extended towards 432 borrowers, with an average ticket size of Rs. 2.38 lakhs, minimum ticket size of Rs. 0.10 lakhs and maximum of Rs. 5 lakhs. The current average outstanding per borrower stands at Rs. 1.88 lakhs. The weighted average original tenure for the pool is 27.20 months. The pool has weighted average seasoning of 7.44 months (minimum 4 months seasoning and maximum of 22 months seasoning). All the loans under the pool are current as on pool cut-off date. The pool's geographical concentration is high. About 74.24 percent of the borrowers are concentrated in Tamil Nadu based on the principal outstanding followed by Kerela with a

concentration of 24.14%. The top 10 borrowers of pool constitute 5.10 percent of the pool principal o/s.

Transaction Structure

The rating of Series A1 SNs addresses the timely payment of the interest on each payout dates and ultimate payment of principal on final maturity date to the series A1 SN investors, in accordance with the transaction documentation.

Brief Methodology

Parameters considered are seasoning of the pool, pool vs portfolio, portfolio cuts, amortisation of the pool, internal cash flow modeling, pool characteristics, static pool, dynamic DPDs to assign rating.

Legal Assessment

The final rating is 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

Counter Party Risks

The pool has average ticket size of Rs. 2.38 lakhs, minimum ticket size of Rs. 0.10 lakhs and maximum of Rs. 5 lakhs. Considering the 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

The underlying pool of Rs.8.14 Cr. in the current Securitization Note (in the form of PTC) transaction comprises of 100 percent unsecured MSME, Agri and Allied loans extended towards 432 individual borrowers. The top 10 borrowers constitute 5.10 percent of the pool principal O/s.

Servicing Risks

There is limited track record of servicing SNs /PTCs, since, this is the fourth securitisation transactions for the originator rated by Acuite.

Regulatory Risks

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

Prepayment Risks

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). Further, the asset classes being Agri & Allied and MSME loans, the risk of prepayment remains high. In case of significant prepayments, the SN 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.

Credit Enhancements (CE)

The rating is based on the strength of cash flows from the selected pool of contracts; the credit enhancement is available in the form of

- (i) Subordinated equity tranche of 8.00 percent of the pool principal;
- (ii) Cash collateral of 5.00 percent of the pool principal; and
- (iii) Excess Interest Spread of 13.29 percent of the pool principal.

Rating Sensitivity

- Collection performance of the underlying pool
- Credit quality of the originator
- Decrease in cover available for SN (PTC) payouts from the credit enhancement
- Adherence to terms and conditions, as stipulated in the Transaction Document

All Covenants

The originator has confirmed that there are no covenants. However, the "Receivable eligibility criteria" as captured in the term sheet are as under:

A.Pool Selection Criteria

1. All loans shall have been disbursed to individual borrowers only.

2. All loans should have been sourced by Velicham in the normal course of business in line with the board approved credit policy of Velicham.
3. All loans should have complied with the KYC AML norms prescribed by RBI.
4. None of the loans should be overdue as on the cut off date.
5. None of the loans should have been restructured.
6. None of the borrowers should have been classified as wilful defaulter or fraud.
7. The pool distribution by state should be representative of the overall portfolio of Velicham. In case of any portfolio concentrations, specific approval should be taken prior to finalization of pool.
8. Maximum exposure per borrower should not exceed INR 5 lakhs.
9. For all loans offered in the pool a credit bureau scrub should be obtained and the ki score™ should be checked and approved.
10. None of the borrowers should be a director on the board of Velicham, Kaleidofin Capital or Kaleidofin Private Limited.
11. All loans should comply with MHP and MRR norms stipulated by RBI in extant guidelines related to Securitisation of standard assets.
12. Any other selection criteria as may be updated post scrutiny of pool depending on the pool characteristics.
13. No branch has 0+ >8%.
14. No branch with 90+ >3.5%.

B. Following accounts shall not be included in pool:

1. Securitization exposures
2. Loans with bullet repayments of both principal & interest
3. Assets purchased from other entities
4. Revolving credit facilities
5. Loan with other than monthly repayments.
6. Securities with other facilities.
7. Restructured Accounts/ rescheduled (except rescheduling owing to prepayments and change in rate of interest)

All Assumptions

Acuité has arrived at a base case delinquency estimate basis its analysis of the company's historical delinquencies and further applied appropriate stress factors to the base loss figures to arrive at the final loss estimates. The loss estimate also consider the risk profile of the particular asset class, the borrower strata, economic risks, collection efficiency over the past several months as well as the credit quality of the originator. Acuité also has simulated the potential losses to an extent by applying sensitivity analysis.

Liquidity Position

Adequate

The liquidity position in the transaction is adequate. The cash collateral available in the transaction amounts to 5.00 percent of the pool principal. The SN payouts will also be supported by a credit enhancement in the form of subordinated equity tranche (8.00 percent of pool principal) and excess interest spread (13.29 percent of pool principal)

Outlook: Not Applicable

Key Financials - Originator

Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Total Assets	Rs. Cr.	126.16	67.95
Total Income*	Rs. Cr.	20.79	10.83
PAT	Rs. Cr.	6.20	2.47
Networth	Rs. Cr.	24.09	13.80
Return on Average Assets (RoAA)	(%)	6.39	4.79
Return on Net Worth (RoNW)	(%)	32.73	21.56
Total Debt/Tangible Net Worth (Gearing)	Times	3.99	3.77

Gross NPA's	(%)	0.4	0.11
Net NPA's	(%)	0.3	0.05

* Total income equals to Net interest income plus other income

Status of disclosure of all relevant information about the Obligation being Rated
Non-public information

Any Other Factor Affecting Rating

None

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite 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.

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Explicit Credit Enhancements: <https://www.acuite.in/view-rating-criteria-49.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>
- Securitized Transactions: <https://www.acuite.in/view-rating-criteria-48.htm>

Rating History - Originator (if applicable)

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Jul 2024	Term Loan	Long Term	1.94	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	2.50	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	1.92	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	1.17	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	5.00	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	2.50	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	4.83	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	0.70	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	0.83	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	0.74	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	1.00	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	20.67	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Secured Overdraft	Long Term	0.08	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	2.00	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	1.39	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	1.47	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	2.49	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	0.86	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	0.17	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	1.55	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	0.35	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	0.78	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	12.30	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Proposed Long Term Bank Facility	Long Term	17.38	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	0.70	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	4.60	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	1.04	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	0.84	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	0.70	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)

	Term Loan	Long Term	0.80	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	1.56	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	2.41	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	0.88	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Term Loan	Long Term	1.85	ACUITE BBB- Stable (Upgraded (Positive to Stable) from ACUITE BB+ Positive)
	Proposed Long Term Bank Facility	Long Term	100.00	ACUITE BBB- Stable (Assigned)
07 Jun 2023	Term Loan	Long Term	2.32	ACUITE BB+ Positive (Reaffirmed (Stable to Positive))
	Term Loan	Long Term	0.46	ACUITE BB+ Positive (Reaffirmed (Stable to Positive))
	Term Loan	Long Term	3.50	ACUITE BB+ Positive (Reaffirmed (Stable to Positive))
	Term Loan	Long Term	1.33	ACUITE BB+ Positive (Reaffirmed (Stable to Positive))
	Term Loan	Long Term	3.43	ACUITE BB+ Positive (Reaffirmed (Stable to Positive))
	Term Loan	Long Term	6.04	ACUITE BB+ Positive (Reaffirmed (Stable to Positive))
	Term Loan	Long Term	2.00	ACUITE BB+ Positive (Reaffirmed (Stable to Positive))
	Term Loan	Long Term	0.05	ACUITE BB+ Positive (Reaffirmed (Stable to Positive))
	Term Loan	Long Term	0.36	ACUITE BB+ Positive (Reaffirmed (Stable to Positive))
	Term Loan	Long Term	0.13	ACUITE BB+ Positive (Reaffirmed (Stable to Positive))
	Term Loan	Long Term	0.90	ACUITE BB+ Positive (Reaffirmed (Stable to Positive))
	Term Loan	Long Term	5.19	ACUITE BB+ Positive (Reaffirmed (Stable to Positive))
	Term Loan	Long Term	0.87	ACUITE BB+ Positive (Reaffirmed (Stable to Positive))
	Term Loan	Long Term	1.73	ACUITE BB+ Positive (Reaffirmed (Stable to Positive))
	Term Loan	Long Term	17.91	ACUITE BB+ Positive (Reaffirmed (Stable to Positive))
	Proposed Long Term Bank Facility	Long Term	0.38	ACUITE BB+ Positive (Reaffirmed (Stable to Positive))
	Proposed Long Term Bank Facility	Long Term	3.40	ACUITE BB+ Positive (Reaffirmed (Stable to Positive))
	Proposed Long Term Bank Facility	Long Term	50.00	ACUITE BB+ Positive (Assigned)
07 Sep	Term Loan	Long Term	1.47	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.42	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.24	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.95	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BB+ Stable (Reaffirmed)
	Proposed Term Loan	Long Term	0.94	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	4.62	ACUITE BB+ Stable (Reaffirmed)
		Long		

2022	Term Loan	Term	2.00	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	1.96	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.66	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.99	ACUITE BB+ Stable (Reaffirmed)
	Proposed Term Loan	Long Term	30.00	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	2.75	ACUITE BB+ Stable (Reaffirmed)

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.	Pass Through Certificate	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7.49	Highly Complex	ACUITE BBB+ SO Assigned Provisional To Final

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