

Press Release
VELICHAM FINANCE PRIVATE LIMITED - LOANX VERBENA JUL 2025
September 01, 2025
Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Pass Through Certificates (PTCs)	7.01	Provisional ACUITE BBB+ SO Assigned	-
Total Outstanding Quantum (Rs. Cr)	7.01	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned long-term rating of **‘Provisional ACUITE BBB + (SO)’(read as Provisional ACUITE triple B plus (Structured Obligation)** to the Rs. 7.01 Cr. Pass Through Certificate(PTC). proposed to be issued by LOANX VERBENA JUL 2025 (The Trust) under a securitisation transaction originated by VELICHAM FINANCE PRIVATE LIMITED (The Originator).

The series A1 PTC is backed by a pool of loans consisting of secured and unsecured (and partially secured loans) MSME and Agri and allied and Green loans which comprise a principal outstanding of Rs. 7.79 Cr.

The provisional rating for the series A1 PTC addresses the timely payment of interest on monthly payment dates and the ultimate payment of principal by the final maturity date, in accordance with the transaction documentation.

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

- i. Overcollateralisation of 10.00% of the pool principal
- ii. Excess Interest Spread of 22.20% of the pool principal
- iii. Cash Collateral of 5.00% of the pool principal

The rating of the PTC 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
6. Any 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 56 branches as on June 30, 2025.

Standalone Rating of the Originator (if rated by Acuite)

Acuite BBB-/Stable

Assessment of the pool

VFPL had Assets under management of Rs. 231.85 Cr. as on March 31, 2025 . The current pool being securitised comprises 3.36 percent of the total AUM. The underlying pool in the current Pass Through Certificate (PTC) transaction comprises of unsecured and secured (and partially secured loans) MSME, Agri and allied and Green loans extended towards 528 borrowers, with an average ticket size of Rs. 2.02 lakhs, minimum ticket size of Rs.

75,000 and maximum of Rs. 15,00,000. The current average outstanding per borrower stands at Rs. 1.47 lakhs. The

weighted average original tenure for the pool is 33.08 months. The pool has weighted average seasoning of 13.75 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 79.4 percent of the borrowers are concentrated in Tamil Nadu based on the principal outstanding followed by Kerela with a concentration of 16.50%. The top 10 borrowers of pool constitute 15.85 percent of the pool principal o/s.

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) Overcollateralisation of 10.00 percent of the pool principal;
- (ii) Cash collateral of 5.00 percent of the pool principal; and
- (iii) Excess Interest Spread of 22.20 percent of the pool principal.

Transaction Structure

The Provisional rating of Series A1 PTC addresses the timely payment of the interest on each payout dates and ultimate payment of principal on final maturity date to the series A1 PTC 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 provisional rating.

Legal Assessment

The provisional rating is based on a draft term sheet. The conversion of rating from provisional to final, shall include, besides other documents, the legal opinion to the satisfaction of Acuité. The legal opinion shall cover, adherence to RBI guidelines, true sale, constitution of the trust, bankruptcy remoteness and other related aspects. 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. 2.02 lakhs, minimum ticket size of Rs. 0.75 lakhs and maximum of Rs.15 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.7.79 Cr. in the current PTC transaction comprises of unsecured, secured and partially secured loans(secured through equitable mortgages) MSME, Agri and Allied and Green loans extended towards 528 individual borrowers. The top 10 borrowers constitute 15.85 percent of the pool principal O/s.

Servicing Risk

There is limited track record of servicing PTCs, since, this is one of the initial securitisation transactions for the originator rated by Acuite. Therefore, the servicing risk for the transaction remains high.

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). Further, the asset classes being Agri & Allied Green and MSME loans, the risk of prepayment remains high. 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.

Key Rating sensitivity

- Collection performance of the underlying pool
- Credit quality of the originator
- Decrease in cover available for (PTC) payouts from the credit enhancement

All Covenants

The originator has confirmed that there are no covenants. However, the “Trigger Events and Servicer Events of Default(s)” as captured in the term sheet are as under:

Pool related events:

1. The Cumulative Collection Efficiency of the Pool for any Collection Period falls below 92.50% (ninety two decimal five percent), or the Monthly Collection Efficiency of the Pool for any Collection Period falls below 90.00% (ninety percent);
2. More than 6% (six percent) of the Facilities/loans forming part of the Total Pool have days past due (DPD) of more than 90 (Ninety) days (PAR 90) during the tenure of the instrument;
3. The rating of the Series A1 PTCs falls 1 notch or more below its rating as on the Settlement Date;
4. The Eligibility/Selection Criteria is not in compliance with any statutory or any regulatory requirements;
5. The Underlying Documents or Transaction Documents become unenforceable or inadequately stamped;
6. The Trustee refuses to provide consent to the Servicer for any matter pertaining to a change in business, change of control or disposal of assets of the Servicer for which consent has been requested from Trustee under the Servicing Agreement; and/or
7. If the Cash Collateral is drawn to make any payments to the Series A1 PTC holders;

Seller related events:

- a. If the Seller defaults in making any payment in respect of any financial indebtedness availed by the Seller; or any event has occurred under any document related to the financial indebtedness of the Seller that has resulted in the acceleration of the payment of such financial indebtedness by the Seller;
- b. Rating downgrade of the Seller below BBB-, by any rating agency;
- c. The occurrence of an ‘Insolvency-Related Event’ with regard to the Seller, or if there is any proceeding commenced by the RBI, wherein such event or proceeding is not stayed, vacated, and/or dismissed (as the case may be) within 60 (sixty) calendar days of commencement of such event or proceeding;
- d. The capital adequacy ratio of the Seller (determined in accordance with the applicable directions and instructions of the RBI) falls below 18.0% (eighteen percent); or
- e. Seller is restrained from carrying on its business (including lending business) by RBI (or any other governmental authority), or any material action is taken against the Seller by RBI (or any other governmental authority);
- f. The rating of any other securitisation transactions (which are active and not closed, and where the Seller is the ‘originator’) is downgraded by 2 or more notches by the relevant rating agency(ies) from the rating assigned to such securitisation transactions as on the date of its execution;
- g. The occurrence of any one or more of the following events (“**Seller Event(s) of Default**”):
- h. any assigned receivables not meeting the Eligibility Criteria;
- i. the Underlying Document(s) or Transaction Documents become unenforceable on account of incompleteness/fraud (to the extent attributable to the Seller) in such documents;
- j. Willful default, fraud or gross negligence; and/or
- k. any breach of covenants or the representations or warranties made by the Seller being incorrect in any respect.

Servicer EODs:

1. The Cumulative Collection Efficiency of the Pool for any Collection Period falls below 92.50% (ninety two decimal five percent) or the Monthly Collection Efficiency of the Pool for any Collection Period falls below 90.00% (ninety percent), and the fall in collection and recovery is not attributable to any events linked to the Obligor;
2. If the Servicer defaults in making any payment in respect of any financial indebtedness availed by the Servicer or any event has occurred under any document related to the financial indebtedness of the Servicer that has resulted in the acceleration of the payment of such financial indebtedness by the Servicer;
3. The rating of any other securitisation transactions (which are active and not closed, and where the Servicer is the ‘originator’) is downgraded by 2 or more notches by the relevant rating agency(ies) from the rating assigned to such securitisation transactions as on the Execution Date;
4. The rating of the Series A1 PTCs falls 2 notches or more below its rating as on the Settlement Date;
5. The occurrence of an ‘Insolvency-Related Event’ with regard to the Servicer, or if there is any proceeding commenced by the RBI, wherein such event or proceeding is not stayed, vacated, and/or dismissed (as the case may be) within 60 (sixty) calendar days of commencement of such event or proceeding;
6. Willful default, fraud or gross negligence;
7. Breach of any representations and warranties or any covenants, including obligation to deposit receivables into the CPA on the pay-in date;
8. The tangible net-worth of Servicer falling below INR 25,00,00,000 (Rupees Twenty Five Crores Only);

9. The Underlying Documents becoming unenforceable (including on account of payment of deficient stamp duty) or unlawful on account of the failure of the Servicer to obtain any authorisation required by or from any governmental authority;
10. Breach of any RBI regulations;
11. Failure of two successive discretionary audits (by the Trustee) testing the ability of the Servicer to meet the standards with respect to collection standards, management, governance, internal systems and processes, and data integrity, as may be required by the Trustee. The Trustee may authorize an independent entity to conduct such discretionary audits conducted on its behalf on a quarterly basis or such other frequency as may be prescribed by the Trustee;
12. Servicer commits default in respect of the amount of any debt or any claim against it and such default has a material adverse effect on the ability of the Servicer to continue to perform its obligations under the Transaction Documents or is likely to be prejudicial to the receivables in any way;
13. If there is an occurrence of an event which, in the opinion of the Beneficiaries holding Majority Interest, jeopardizes the Servicer's ability to service the Identified Receivables; and/or
14. Rating downgrade of the Servicer below BBB-, by any rating agency.

Consequences of Trigger Events and Servicer EODs:

- At issuance, the transaction has a partial turbo par structure, with 50% EIS in the structure being utilized towards accelerated prepayment of Series A1 Principal, however, upon the occurrence of any of the Pool or Seller related events (F1 or F2), 100% EIS in the structure will be trapped and will be utilized towards accelerated prepayment of Series A1 Principal till the time Series A1 PTCs are outstanding (**Conditions For 100% EIS Trapping**).

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 PTC payouts will also be supported by a credit enhancement in the form of overcollateralisation (10.00 percent of pool principal) and excess interest spread (22.20 percent of pool principal)

Outlook: Not Applicable

Key Financials - Originator

Particulars	Unit	FY25 (Actual)	FY24 (Actual)
Total Assets	Rs. Cr.	141.81	126.16
Total Income*	Rs. Cr.	28.89	20.79
PAT	Rs. Cr.	7.33	6.20
Networth	Rs. Cr.	32.46	24.09
Return on Average Assets (RoAA)	(%)	5.47	6.39
Return on Net Worth (RoNW)	(%)	25.91	32.73
Total Debt/Tangible Net Worth (Gearing)	Times	3.03	3.99
Gross NPA's**	(%)	1.99	0.24
Net NPA's**	(%)	1.68	0.14

* Total Income is Net of Interest income plus other income

** GNPA and NNPA w/o FLDG for , however the GNPA and NNPA inclusive of FLDG for FY24 stood at 0.4 % and 0.3%.

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). Acuité 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 Acuité 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.

Status of disclosure of all relevant information about the Obligation being Rated

Non Public

Any other information

None

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. Acuité'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

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

Rating History :

Not Applicable

Rating History - Originator (if applicable)

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Jul 2024	Term Loan	Long Term	1.39	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	1.47	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	2.49	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	0.86	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	0.17	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	1.55	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	0.35	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	0.78	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	12.30	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Proposed Long Term Bank Facility	Long Term	17.38	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	1.04	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	0.84	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	0.70	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	0.80	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	1.56	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	2.41	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	0.88	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	1.85	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Proposed Long Term Bank Facility	Long Term	100.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	4.60	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	1.94	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	2.50	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	1.92	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	1.17	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	5.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	2.50	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	4.83	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	0.70	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	0.83	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)

	Term Loan	Long Term	0.74	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	1.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	20.67	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Secured Overdraft	Long Term	0.08	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	2.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	0.70	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Positive)
07 Jun 2023	Term Loan	Long Term	2.32	ACUITE BB+ Positive (Reaffirmed)
	Term Loan	Long Term	0.46	ACUITE BB+ Positive (Reaffirmed)
	Term Loan	Long Term	3.50	ACUITE BB+ Positive (Reaffirmed)
	Term Loan	Long Term	1.33	ACUITE BB+ Positive (Reaffirmed)
	Term Loan	Long Term	3.43	ACUITE BB+ Positive (Reaffirmed)
	Term Loan	Long Term	6.04	ACUITE BB+ Positive (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BB+ Positive (Reaffirmed)
	Term Loan	Long Term	0.05	ACUITE BB+ Positive (Reaffirmed)
	Term Loan	Long Term	0.36	ACUITE BB+ Positive (Reaffirmed)
	Term Loan	Long Term	0.13	ACUITE BB+ Positive (Reaffirmed)
	Term Loan	Long Term	0.90	ACUITE BB+ Positive (Reaffirmed)
	Term Loan	Long Term	5.19	ACUITE BB+ Positive (Reaffirmed)
	Term Loan	Long Term	0.87	ACUITE BB+ Positive (Reaffirmed)
	Term Loan	Long Term	1.73	ACUITE BB+ Positive (Reaffirmed)
	Term Loan	Long Term	17.91	ACUITE BB+ Positive (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.38	ACUITE BB+ Positive (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	3.40	ACUITE BB+ Positive (Reaffirmed)
	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	31 Jul 2025	12.30	26 Jul 2029	7.01	Highly Complex	Provisional ACUITE BBB+ SO Assigned

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About Acuité Ratings & Research

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