

Vivriti Capital Private Limited

Brickwork Ratings assigns ‘BWR A/Stable’ to the NCDs and reaffirms the existing rating of bank facilities and NCDs of Vivriti Capital Private Limited.

Particulars

Facility/ Instrument**	Amount Rated (Rs Crs)		Tenure	Rating*	
	Previous	Present		Previous (17 June 2020)	Present
Non-convertible debentures (NCDs)	--	15.00	Long Term	--	BWR A/ Stable (Assigned)
Non-convertible debentures (NCDs)	100.00	100.00	Long Term	BWR A/ Stable	BWR A/ Stable (Reaffirmed)
Bank facilities	100.00	100.00	Long Term	BWR A/ Stable	BWR A/ Stable (Reaffirmed)
Total	200.00	215.00	Rupees Two Hundred Fifteen Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of bank facilities and NCDs are provided in Annexure I & II

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) assigns ‘BWR A/Stable’ to the non-convertible debentures (NCDs) and reaffirms the existing rating of bank facilities and NCDs of Vivriti Capital Private Limited (VCPL or the company), as tabulated above. The rating continues to factor in strong capitalisation, sound credit underwriting and monitoring practices, and the experienced management team of the company. The rating is, however, constrained by a moderate scale of operations with limited loan seasoning and a high concentration towards lending to NBFCs.



KEY RATING DRIVERS

Credit Strengths

Strong capitalisation with improving profitability: VCPL's capital position is supported by frequent equity raising and low gearing. The company has raised equity to the tune of Rs 760 Crs in 4 tranches in the past 2-3 years (Rs 235 Crs in Q4 FY19, Rs 75 Crs in Q1 FY20, Rs 350 Crs in Q4 FY20 and Rs. 100 Crs in Q2FY21). VCPL's tangible net worth increased to Rs 775.12 Crs as on 30 September 2020 from Rs 661.79 Crs as on 31 March 2020. The gearing is low at 1.00 times as on 30 September 2020. The company is comfortably placed to leverage and grow its balance sheet over the medium term.

The company reported an improvement in profitability, with the net profit and return on managed assets (ROMA) for FY20 at Rs 10.29 Crs and 0.95%, respectively, as against the loss of Rs 4.50 Crs (profit of Rs 1.70 Crs as per IGAAP) for FY19. The company reported a net profit of Rs 9.14 Crs and ROMA of 1.13% for the half year ended 30 September 2020. The improvement in profitability was mainly driven by an increased contribution from the fee income generated through the VCPL platform and balance sheet growth. The company now has a good mix of income from lending operations and fee income from the platform business, which cushions VCPL's overall profitability. As a part of its platform business, the company has transacted over 1200 deals with over 200 clients, the most being NBFCs, and it is one of the largest market makers in debt capital markets/ loan syndication for small NBFCs and SMEs. The impact of any asset quality deterioration on the profitability and capitalisation of the company over the near term is a key rating monitorable.

Sound credit underwriting and monitoring practices: The company has prudent customer on-boarding, underwriting and monitoring processes. It carries out thorough due diligence processes, including the detailed evaluation of the client's business and financial performance across years, field visits to the client's offices/branches and in-depth understanding of their organisational structure, processes and systems. VCPL also benefits from building an online platform (CredAvenue Marketplace) that provides market infrastructure for raising and investing in debt by institutions and enterprises. This platform has strong built-in infrastructure that collates the historical financial data of all its clients and evaluates performance based on various metrics, such as financial, peer and industry analyses.

VCPL has well-defined client group/ sector exposure limits. The total on-book corporate portfolio of Rs 1132 Crs as on 30 September 2020 was spread across 124 borrowers, wherein the average exposure per borrower corresponds to ~0.81% as on that date. Around 96% of the company's on-book lending portfolio is secured and senior in nature. Out of the total assets under management (AUM) of Rs 1343 Crs as on 30 September 2020, on-book portfolio was Rs 1256 Crs. The company also has a dedicated post disbursement monitoring team that tracks client performance on a monthly/quarterly basis depending on their risk categorisation. This, coupled with the peer/industry analysis through CredAvenue, enables VCPL to have a strong hold on client



performance and provides it with an early warning system to take necessary corrective steps in case of distress in any of its credit exposures. The company's gross non-performing assets (NPAs) ratio was low at 0.47% as on 30 September 2020 (0.64% as on 31 March 2020).

Experienced management: VCPL was founded by Mr. Gaurav Kumar and Mr. Vineet Sukumar, both having vast experience in credit lending and capital markets. The company also has a strong management team of qualified professionals having rich experience of over 10 years mainly in the financial services space. VCPL also has an experienced board representation consisting of two founder-directors, two independent directors and two nominee directors on behalf of Creation Investments India III, LLC, the company's largest shareholder. The company currently operates in two segments, viz., the lending business and arranger business and has built a well-experienced second line of management for each of these businesses.

Credit Risks

Moderate scale of operations with limited loan book seasoning: VCPL's scale of operations is moderate, with a total portfolio of Rs 1343 Crs as on 30 September 2020. Additionally, the company has slowed down its portfolio growth in the current environment and is looking at measured growth over the medium term. Furthermore, the loan portfolio has limited seasoning, given that the company started lending operations only in FY19. The company's collections had been impacted in Q1 of FY21 due to the nation-wide lockdown until 31 May 2020 on account of the COVID-19 pandemic. While the company has seen an improvement in collections with the collection efficiency at 98% for September 2020, its ability to sustain the improvement in collections and maintain asset quality over the medium term will be a key monitorable.

High concentration towards lending to NBFCs: The company provides funding to various clients across asset classes such as micro finance, gold finance, housing finance, vehicle finance, agri finance, consumer finance, SME and enterprise finance. The majority of the lending is concentrated towards NBFCs. Furthermore, the top 10 exposures constituted around 20% of the total on-book portfolio as on 30 September 2020, a reduction from ~26% as on 31 March 2020. Given the difficult operating environment, the NBFC sector has been facing over the past 24 months, which is also expected to continue in the near term, the company's loan portfolio will remain relatively exposed to unexpected adversities in the NBFC sector.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered VPCL's standalone performance. BWR has applied its rating methodology as detailed in the rating criteria (hyperlinks provided at the end of this rationale).



RATING SENSITIVITIES

Going forward, the company's ability to steadily grow its portfolio and improve profitability, while maintaining comfortable asset quality and capitalisation will be key rating sensitivity factors.

Positive: The company's ability for a robust portfolio growth with increasing granularity in the loan book, while maintaining comfortable asset quality, improving profitability and maintaining a prudent capital structure is a key rating positive.

Negative: Weakening of the asset quality and/or no growth in the profitability is a key rating negative.

LIQUIDITY POSITION: ADEQUATE

As per the ALM position dated 30 September 2020 provided by the company, there were no negative cumulative mismatches. The company's scheduled debt servicing and operating expenses aggregate to Rs 393 Crs between November 2020 to March 2021. Against this, it has scheduled inflows of Rs 376 Crs in the form of interest and principal on loan assets. The company also has cash and cash equivalents of Rs 179 Crs as on 31 October 2020. Even after sensitising the collections, the company has adequate liquidity to meet its debt obligations.

Coronavirus disease (COVID-19), declared a pandemic by the World Health Organisation (WHO), has become a full-blown crisis globally, including in India. As a containment measure, the Indian Government had announced a 21-day nationwide lockdown on 24 March 2020, which was subsequently extended until 31 May 2020. As per BWR, financial institutions, mainly those lending to the retail low-income borrower segments could be the most impacted. The 6-month moratorium announced by the Reserve Bank of India on interest and principal on bank debt has provided some cushion to the lending community to realign its collection machinery and operations during this period. However, lenders' ability to ensure credit discipline among borrowers and to collect accumulated interest and principal dues on a timely basis will be a key monitorable. BWR is actively engaging with its clients on a continuous basis and taking updates on the impact on its operations and liquidity situation. BWR will take appropriate rating actions as and when it deems necessary and will publish the same.



COMPANY PROFILE

Vivriti Capital Private Limited (VCPL) is a systemically important non-deposit-taking NBFC (SI-ND-NBFC) incorporated on 22 June 2017 as a private company, which subsequently obtained an NBFC license from the RBI on 5 January 2018. VCPL's business operations can be broadly divided into two segments, the lending business and arranger business through CredAvenue Marketplace. The company's total portfolio stood at Rs 1342.72 Crs as on 30 September 2020, which includes an on-book portfolio of Rs 1255.72 Crs. The company has concluded around 1500 transactions amounting to over Rs 30,000 Crs until September 2020 through its CredAvenue platform.

KEY FINANCIAL INDICATORS

Key Parameters	Units	IGAAP	Ind AS	Ind AS
		FY19	FY19	FY20
Result Type		Audited	Audited	Audited
Total Income from operations	(Rs in Crs)	43.49	35.53	147.74
Net Profit/ (Loss)	(Rs in Crs)	1.70	(4.50)	10.29
Tangible Net Worth	(Rs in Crs)	242.70	235.40	661.79
Gearing	(in times)	1.46	1.48	1.17
Total CRAR	(%)	36.16	42.60	64.48
Total Assets	(Rs in Crs)	610.37	593.30	1468.63
Total AUM	(Rs in Crs)	536.74	536.74	1014.89
Arranger Business Volume	(Rs in Crs)	9760	9760	12,546

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY: NA

RATING HISTORY FOR THE PREVIOUS THREE YEARS (Including withdrawal & suspended)

Facilities/ Instruments	Current Rating			Rating History for the past 3 years				
	Tenure	Amount (Rs Cr)	Rating	2020	2019	2018		
NCDs	Long Term	15.00	BWR A/ Stable	NA	NA	NA		
NCDs	Long Term	100.00	BWR A/ Stable	17.06.2020		NA	NA	
				Long Term	100.00	BWR A/ Stable		
Bank Facilities	Long Term	100.00	BWR A/ Stable	17.06.2020		NA	NA	
				Long Term	100.00	BWR A/ Stable		
				15.02.2020				
				Long Term	100.00	BWR A/ Stable		
Total		215.00	Rupees Two Hundred Fifteen Crores Only					

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria:

- [General Criteria](#)
- [Banks & Financial Institutions](#)

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ANNEXURE I - Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs in Crs)	Short Term (Rs in Crs)	Total (Rs in Crs)
--	Proposed	Term Loan	100.00	--	100.00
	Total limits rated		100.00	--	100.00

Rupees One Hundred Crores Only

ANNEXURE II - INSTRUMENT (NCD) DETAILS

Instrument	Issue Date	Amount (Rs in Crs)	Coupon Rate	Maturity Date	ISIN Particulars
NCDs	31 July 2020	25.00	10.75%	31 July 2023	INE01HV07080
NCDs	31 July 2020	25.00	10.48%	31 July 2023	INE01HV07098
NCDs #	--	65.00	--	--	--

- not yet raised.



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