

CONFIDENTIAL

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December 26, 2023

Mr. Suchindran V G

ED & CFO

Veritas Finance Private Limited

SKCL Central Square 1,

South Wing, 1st Floor

Unit # C-28, C35, Cipet Rd,

Thiru Vi Ka Industrial Estate,

Guindy,

Chennai - 600032



Dear Mr. Suchindran V G,

Re: CRISIL Ratings' Provisional rating on Rs. 107.83 Crore of Series A1 Pass-through certificates (PTCs) and Rs. 51.70 Crore of Series A2 Pass-through certificates (PTCs) issued under the securitisation transaction 'Vajra 004 Trust' originated by Veritas Finance Private Limited (VFPL)

We refer to your request for ratings on the PTCs for the captioned transaction.

CRISIL Ratings has, after due consideration, assigned provisional ratings to the Series A1 PTCs and Series A2 PTCs for the captioned transaction as given in the table below:

Trust name	Details	Rated amount (in Rs. Crore)	Rating(s)/Credit opinion(s) [®]
Vajra 004 Trust	Series A1 PTCs	107.83	Provisional CRISIL AAA (SO)
	Series A2 PTCs	51.70	Provisional CRISIL AA (SO)

@A prefix of 'Provisional' indicates that the rating centrally factors in the strength of specific structures, and is contingent upon occurrence of certain steps or execution of certain documents by the issuer, as applicable, without which the rating would either have been different or not assigned ab initio. This is in compliance with a May 6, 2015 directive 'Standardizing the term, rating symbol, and manner of disclosure with regards to conditional/ provisional/ in-principle ratings assigned by credit rating agencies' by Securities and Exchange Board of India (SEBI) and April 27, 2021 circular 'Standardizing and Strengthening Policies on Provisional Rating by Credit Rating Agencies (CRAs) for Debt Instruments' respectively by SEBI

CRISIL Ratings has, after due consideration, assigned a **Provisional CRISIL AAA (SO)** (pronounced as Provisional CRISIL triple A structured Obligation ratings) rating to the captioned Debt instrument. Instruments with rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.

CRISIL Ratings has, after due consideration, assigned a **Provisional CRISIL AA (SO)** (pronounced as Provisional CRISIL double A structured Obligation ratings) rating to the captioned Debt instrument. Instruments with rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.



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A summary of the transaction is contained in **Annexure 1**.

Kindly note that the provisional rating will be converted to final rating after CRISIL Ratings receives following transaction documents duly executed and/or confirmations on completion of the following pending steps, within 90 days from the date of issuance of the instrument and to the satisfaction of CRISIL Ratings.

- Letter of confirmation from the trustee as per **Annexure 2**
- An independent legal opinion as per **Annexure 3**
- Seller's representations and warranties (**Annexure 4**)
- Duly executed copies or final draft version of all transaction documents
- Certificate from a firm of auditors stating that the information furnished to CRISIL Ratings relating to the pool has been verified and found to be correct and true and that all the contracts in the pool meet the pool selection criteria.

The final rating assigned after end of 90 days (or following an extension of upto 90 days, if any, granted by the rating committee of CRISIL Ratings after considering case specific considerations) shall be consistent with the available documents or completed steps, as applicable. CRISIL Ratings will issue a final rating letter on receipt of documents as mentioned above.

As per our Rating Agreement, CRISIL Ratings would disseminate the ratings through its publications and other media, and keep the ratings under surveillance till the investor payouts are made in full. CRISIL Ratings reserves the right to suspend, withdraw, or revise the ratings at any time, on the basis of new information, or unavailability of information, or other circumstances which CRISIL Ratings believes may have an impact on the ratings. Please visit www.crisilratings.com and search with the name of the originator to access the latest rating/s

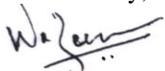
Please note that, in arriving at the ratings, CRISIL Ratings has assumed that the representations made by VFPL are true and that the structure, shall work and operate as represented by VFPL. CRISIL Ratings does not guarantee the accuracy, adequacy, or completeness of the representations made by you to CRISIL Ratings and/or the representations to be made in the transaction documents. CRISIL Ratings is not responsible for any acts of commission or omission of the VFPL and/or the Trustee.

In the event that the Series A1 PTCs and Series A2 PTCs are not placed within a period of 30 days from the date of issuance of this letter, or in the event of any change in the size of the Series A1 PTCs and Series A2 PTCs or composition of the underlying pool or cash flows or structure or payment mechanism of the proposed transaction, it will be necessary to obtain a revised rating letter from CRISIL Ratings.

Should you require any clarifications, please feel free to get in touch with us.

With warm regards,

Yours sincerely,



Wazeem Aboobacker
Associate Director - CRISIL Ratings



Nivedita Shibu
Associate Director - CRISIL Ratings

Encl:

Annexure 1: Transaction Summary

Annexure 2: Format of the Letter to be obtained from the Trustee

Annexure 3: Legal Opinion

Annexure 4: Seller's Representations and Warranties

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Annexure 1: Transaction Summary

Instrument Details	Yield Terms	Rated amount (Rs. crore)	Tenure # (in months)	Cash collateral (Rs. crore)	Ratings @
Series A1 PTCs	Fixed	107.83	66	8.77	Provisional CRISIL AAA (SO)
Series A2 PTCs	Fixed	51.70	66		Provisional CRISIL AA (SO)

Indicates scheduled door to door tenure in number of monthly repayments. Actual tenure will depend on the level of collection shortfalls in the pool, the level of prepayments in the pool, and exercise of the clean-up call option.

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Transaction Summary

Parameter	Description
Originator/Servicing agent	Veritas Finance Private Limited
Nature of receivables	Secured MSME loan receivables
Trust (Issuer)	Vajra 004 Trust
Trustee	Catalyst Trusteeship Limited
Number of loans	5,680
Pool principal outstanding (as on 30-Nov-2023)	Rs. 175.30 crore
Scheduled pool cashflow (from 01-Dec-2023)	Rs. 254.52 crore
Structure	<p>Series A1 PTCs: Rs. 107.83 crore (61.5% of pool principal) Series A2 PTCs: Rs. 51.70 crore (29.5% of pool principal) Equity tranche PTCs: Rs. 15.77 crore (9.0% of pool principal)</p> <p>Series A1 PTCs and Series A2 PTCs are promised pari passu timely interest payments on a monthly basis. While Series A1 PTCs are outstanding, 91% of the monthly pool principal billing is promised as monthly principal repayment to Series A1 PTCs, while 9% of the monthly pool principal billing is expected but not promised as monthly principal repayment to Series A1 PTCs.</p> <p>Following the redemption of Series A1 PTCs in full, the promised monthly principal repayment to Series A2 PTCs is 91% of the monthly pool principal billing, while 9% of the monthly pool principal billing is expected but not promised as monthly principal repayment to Series A2 PTCs.</p> <p>Additionally, while Series A1 PTCs are outstanding, 30% of the residual excess interest spread (EIS) shall be used to make additional principal repayment to Series A1 PTCs on a monthly basis. Following the redemption of Series A1 PTCs in full, 30% of the residual excess interest spread (EIS) shall be used to make additional principal repayment to Series A2 PTCs on a monthly basis.</p>
Form of credit enhancement	<p>External credit enhancement from a cash collateral of Rs. 8.77 crore (5.0% of initial pool principal).</p> <p>Internal credit enhancement of Rs. 70.83 crore (40.4% of initial pool principal), from subordination of scheduled excess interest spread (EIS) of Rs. 55.05 crore (assuming no prepayments) and subordination of equity tranche principal of Rs. 15.77 crore.</p>
Clean-up call option	Available after 90% pool principal amortisation
PTC yield	Series A1 PTCs: 9.55% (p.a.p.m.) (Fixed yield) Series A2 PTCs: 9.95% (p.a.p.m.) (Fixed yield)
Indicative PTC issuance date	28-Dec-2023
Monthly payout dates	20 th of every month
First payout month	Jan-2024
Final maturity date for PTCs	20-Jun-2029

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Annexure 2: Letter to be provided to CRISIL Ratings by the Trustee on its letter head for the captioned transaction

To
CRISIL Ratings Limited
CRISIL House
Central Avenue Road,
Hiranandani Business Park
Powai, Mumbai 400 076

Re: Vajra 004 Trust

We refer to the captioned transaction and the payment structure for the same. We, in our capacity as Trustee for the transaction, confirm that:

- (i) We fully understand all the aspects of the transaction structure and payment mechanism and our responsibilities there under.
- (ii) We shall monitor the integrity of the said transaction structure and payment mechanism in order to ensure that they are made as per the stipulated timelines.
- (iii) All the requisite transaction documents have been duly executed as per the terms and conditions of the Information Memorandum/term sheet and the credit rating report.

We further undertake:

- (i) To inform CRISIL Ratings immediately, in writing, about any instance of non-compliance with the transaction structure or payment mechanism.
- (ii) To provide monthly performance reports in a format acceptable to CRISIL Ratings in a timely manner and confirm timely payment of the investor payouts as envisaged in the payment structure.
- (iii) To inform CRISIL Ratings immediately, in writing, any material changes in the transaction structure, including, but not limited to, change in the entity where the cash collateral or liquidity facility is maintained and change in any of the transaction counterparties.

Trustee
Authorised signatory

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Annexure 3: Legal Opinion

Veritas Finance Private Limited (VFPL) have indicated that they would furnish an independent legal opinion from an external legal counsel, certifying the following:

- That the assignment of receivables is valid in terms of the underlying loan documents;
- That the assignment of receivables constitutes a valid sale as per prevailing legislations, regulations including applicable RBI guidelines;
- That all the rights, title, interest and benefits in the receivables and the underlying security if any, have been transferred to the **Vajra 004 Trust**; and the receivables are bankruptcy remote from VFPL;
- That all transaction documents provide for adequate and necessary protection of the investors' rights and have been duly executed in accordance with the prevailing stamp duty and registration laws;
- Contractual obligations supporting the transaction, if in form of cash/fixed deposit /term deposits, are bankruptcy remote from the provider;
- In case the credit/liquidity enhancement is in the form of bank/corporate guarantee, the same is valid, unconditional and irrevocable.

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Representations and warranties to be provided by Veritas Finance Private Limited (VFPL) (in all of its various capacities under the transaction), on its letterhead, to CRISIL Ratings

The terms used in this Annexure but not defined here shall carry the same meaning given to them in Transaction documents of captioned transaction.

1. All information provided to CRISIL Ratings on the portfolio performance and the pool characteristics are true and correct.
2. Each of the Loan Agreements with the Obligors has been duly executed and is legally valid and enforceable.
3. All contracts in the securitised pool have been originated in the normal course of business and apart from the pool selection criteria mentioned in Deed of Assignment, have been picked at random.
4. As on the date of the assignment, no mortgage, assignment, charge, pledge, lien, hypothecation, security interest, encumbrance (the "Encumbrance") has been created/made or if created is not subsisting over VFPL's right, title and interest in the Loan Agreements and VFPL are the sole legal and beneficial owners thereof and has full right to transfer, assign and dispose the Loan Agreements.
5. With respect to the respective Loan Agreements in the pool, there is only one original agreement with the Obligors and it is in the possession of VFPL.
6. Each contract in the pool conforms to the normal credit criterion adopted by VFPL in ordinary course of its business at the time of its grant however, subject to its management's discretion or judgement to override or deviate therefrom, where VFPL considered appropriate.
7. VFPL in its roles as the servicing agent, will ensure that all Monthly Reports or documents as agreed in Deed of Assignment are updated and complete.
8. VFPL in its roles as the servicing agent, will ensure that the pool of assets being securitised would continue to be serviced over the tenure of the transaction by VFPL unless the same is terminated as per the Transaction documents for captioned transaction.
9. In its capacity as the servicing agent of Loan Agreements, VFPL will make best efforts regarding collection and follow up on the securitised pool as it would make in normal course of business with other loan agreement not securitised in this transaction.
10. In its capacity as the servicing agent, VFPL to ensure that only the payments or repayments received from the underlying Obligors routed through it are remitted to the designated Collection and Payout account.
 - (i) If any representation or warranty given by VFPL set forth of the Deed of Assignment is found false and which affect the interest of Investor in the securitized assets and if such misrepresentation has not been rectified by VFPL within 15 days after notice for rectification, the VFPL at the option of the Trustee, acting on the instruction of the Investor holding Majority Interest, either: substitute the Assigned Receivables in respect of which there is a misrepresentation with any other receivables, which, in the opinion of the Trustee, are similar to the substituted Assigned Receivables as to the principal amount, maturity, interest and equal monthly and/or other instalments; or
 - (ii) repurchase those Assigned Receivables by credit to the Collection and Payout Account of an amount equal to the Purchase Consideration minus the amounts already paid to the Investors towards the Investor Payouts,

Any remedy of the Trustee mentioned in the point 11 shall be exercised not later than 90 days from the date of execution of this Assignment Deed.

The Seller shall indemnify and keep indemnified at all times (on the basis of actuals) the Trustee and the Beneficiaries, from and against any and all expenses, cost, charges, losses, claims, liabilities, demands, actions and damages directly incurred by the Beneficiaries and/or the Trustee if any of the representations or warranties made by the Seller under Deed of Assignment being found to be false, untrue, misleading or incorrect in material respect.

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11. The monies realised from the enforcement of security interest, if any over the secured assets in accordance with and subject to the terms of the Transaction Documents and the Loan agreements will be held in trust by VFPL for the benefit of the Acquirers and shall be paid to the Acquirers in accordance with and subject to the provisions of the Transaction documents.
12. The executants of the legal documentation, on behalf of VFPL, has been duly empowered and authorised to execute the same.
13. Any liability on account of fiscal levies or taxes but not limited to stamp duty, other incidental charges or expenses relating to the pool Loan agreement, security creation thereof and the Transaction Documents arising before or for the captioned transaction, would be to the account of VFPL
14. The Transaction Documents finally executed by VFPL are in line with the draft term sheet submitted to CRISIL Ratings.
15. VFPL shall not exercise any rights of set-off against any of the borrowers leading to impairment of cashflows.
16. VFPL shall submit the following documents for CRISIL Ratings' review, within 90 calendar days from the date of placement of the issue:
 - a. Complete set of all the documents executed for the transaction
 - b. A letter from the Trustee, in a format required by CRISIL Ratings
 - c. A legal opinion from an independent legal counsel on matters indicated by CRISIL Ratings
 - d. An Auditor's Certificate confirming the accuracy of the pool information
 - e. Any other documents as may be required by CRISIL Ratings

December 2023

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