



March 11, 2010

ICRA reaffirms rating assigned to senior PTCs under MBS programme of Canfin Homes Limited

ICRA has reaffirmed the LAAA (SO) (pronounced L triple A Structured Obligation) rating assigned to the senior Pass Through Certificates (PTC) issued by Canfin Homes Ltd. (2003) MBS 1, Special Purpose Vehicle (SPV) for the Mortgage Backed Securitisation (MBS) programme of Canfin Homes Limited (CFHL)[†]. The collection efficiency for this pool of home loans has been high leading to low credit enhancement utilisation in the pool. The current rating factors in the performance of the pool till date and the expected performance over the balance tenure.

The pool has two series of PTCs of which the senior PTC i.e. PTC A was 85% of the initial pool size. PTC B is subordinate to PTC A and is unrated. The pool has now amortised by almost 89%. PTC A has amortised by 93% and has balance tenure of 21 months. In this transaction, the PTCs earn a fixed yield while the pool IRR is variable. At the time of securitisation, the pool had a 39:61 mix of fixed rate and floating rate contracts. Despite fluctuation in interest rates the spread between the pool interest and PTC yield has been at least 3% p.a. There has been no utilisation of cash collateral till date on account of the high Excess Interest Spread (EIS) present in the pool, which has supported the collection shortfall in the pool till date. The credit enhancement available for the senior PTCs over the balance tenure is in the form of cash collateral of 12.7% and EIS of 22.4%, both expressed as a % of outstanding senior PTC Principal.

ICRA will continue to monitor the performance of this transaction. Any further rating action will be based on the performance of this pool and the availability of credit enhancement relative to ICRA's expectations.

CFHL is a housing finance company based out of Bangalore with a portfolio size of about Rs. 19.9 billion as on 30 September 2009. It has a medium term rating of MAA+ from ICRA for its fixed deposits.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.