July 27, 2021

India Shelter Finance Corporation Limited: Rating actions on PTCs issued under three mortgage loan securitisation transactions

Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Sinnan IFMR Capital 2014	PTC Series A1	11.49	0.57	0.00	[ICRA]AA+(SO); Withdrawn
	PTC Series A2	0.52	0.50	0.48	[ICRA]AAA(SO); Upgraded from [ICRA]AA(SO)
Elbe SBL IFMR Capital 2017	PTC Series A2	29.04	19.63	13.22	[ICRA]AA-(SO); Reaffirmed
	PTC Series A3	1.80	1.80	1.80	[ICRA]A(SO); Upgraded from [ICRA]BBB+(SO)
Northern Arc 2019 AHF Angna	PTC Series A1	41.59	25.70	14.93	[ICRA]AA+(SO); Reaffirmed
	PTC Series A2	3.83	3.80	3.75	[ICRA]A+(SO); Reaffirmed

**Instrument details are provided in Annexure-1*

Rationale

The pass-through certificates (PTCs) originated by India Shelter Finance Corporation Limited (ISFC) are backed by mortgage loan receivables. The ratings have been upgraded/reaffirmed on account of the moderate to high amortisation of the transactions, which has led to the build-up of the credit enhancement (CE) cover over the future PTC payouts. The breakeven collection efficiency is also comfortable compared to the actual collection level observed in the pools.

ICRA has also withdrawn the rating for PTC Series A1 under Sinnan IFMR Capital 2014 as all the payouts have been made and no further payments are due to the investors.

A summary of the performance of the pools after the June 2021 payouts has been provided below.

Parameter	Sinnan IFMR Capital 2014	Elbe IFMR Capital 2017	Northern Arc 2019 AHF Angna
Months post securitisation	80	48	24
Pool amortisation	86.98%	61.67%	33.15%
PTC Series A1 amortisation	100.00%	100.00%	64.11%
PTC Series A2 amortisation	8.32%	54.48%	2.22%
PTC Series A3 amortisation	-	0.00%	--
Cumulative collection efficiency[1]	96.19%	95.16%	91.64%
Loss-cum-30+ dpd[2] (% of initial pool)	2.48%	9.34%	9.72%
Loss-cum-90+ dpd[3] (% of initial pool)	0.61%	4.60%	3.32%
Cumulative cash collateral utilisation	0.00%	0.00%	0.00%
Breakeven collection efficiency[4] for PTC Series A1	0.00%	0.00%	26.26%

[1] *(Cumulative Current and Overdue Collections till date)/(Cumulative Billing till date + Opening Overdues at the start of the transaction)*
[2] *Inclusive of Unbilled and Overdue Principal portion of delinquent contracts with 30 days past due, as a % of Initial Pool Principal*
[3] *Inclusive of Unbilled and Overdue Principal portion of delinquent contracts with 90 days past due, as a % of Initial Pool Principal*
[4] *(Balance Cash Flows payable to investor for PTC Series A1 – CC available)/ Balance Pool Cash Flows*

Parameter	Sinnan IFMR Capital 2014	Elbe IFMR Capital 2017	Northern Arc 2019 AHF Angna
Breakeven collection efficiency[5] for PTC Series A2	10.17%	37.85%	34.90%
Breakeven collection efficiency[6] for PTC Series A3	--	44.74%	--
Cumulative prepayment rate (% of initial pool)	64.00%	42.79%	19.16%
Cash collateral (CC % of balance pool)	15.36%	6.52%	4.49%
Principal subordination (% of balance pool) for PTC Series A1	100.00%	100.00%	59.19%
Principal subordination (% of balance pool) for PTC Series A2	71.83%	42.41%	48.95%
Principal subordination (% of balance pool) for PTC Series A3	--	34.58%	--
Excess interest spread (EIS; % of balance pool) for PTC Series A1[7]	0.00%	_	--
Excess interest spread (EIS; % of balance pool) for PTC Series A2[8]	52.71%	47.82%	58.46%
Excess interest spread (EIS; % of balance pool) for PTC Series A3[9]	--	44.93%	54.39%

Key rating drivers

Credit strengths

- High amortisation of PTCs resulting in build-up of cash collateral, principal subordination and excess interest spread (EIS) cover
- Low delinquency levels exhibited by Sinnan pool
- High CE covers available in the balance pools, especially in Sinnan and Elbe transactions

Credit challenges

- High share of daily wage borrowers in Elbe pool, the performance of which has been weaker at the overall portfolio level
- Rise in delinquencies in the last 12 months
- Pools' performance will remain exposed to any disruptions arising from the Covid-19 pandemic

Description of key rating drivers highlighted above

The performance of all three pools has been healthy with a cumulative collection efficiency in the range of 92-96% (till June 2021 collections). There has been no instance of CC utilisation till date. A rise in delinquencies has been observed in the Elbe and Angna pools with the 90+ delinquencies at 4.60% and 3.32%, respectively, and the 180+ delinquencies at 2.54% and 1.76%, respectively, after the June 2021 payouts. One of the reasons for the same is the higher share of contracts extended to borrowers who are daily wage earners and who were significantly impacted by the second wave of the pandemic. The collections are expected to improve in the coming months with the relaxation of lockdown/restrictions. The pools have achieved a moderate to high amortisation level (~87% for Sinnan, ~62% for Elbe and ~33% for Angna) after the June 2021 payout. Thus, CE has built up significantly with respect to the balance pool principal.

[5] *(Balance Cash Flows payable to investor – CC available)/ Balance Pool Cash Flows*
[6] *(Balance Cash Flows payable to investor – CC available)/ Balance Pool Cash Flows*
[7] *(Pool Cash Flows – Cash Flows to PTC A1 – Originator's residual share)/ Pool Principal outstanding*
[8] *(Pool Cash Flows – Cash Flows to PTC A1 – Cash Flows to PTC A2 – Originator's residual share)/ Pool Principal outstanding*

[9] *(Balance Cash Flows payable to investor – CC available)/ Balance Pool Cash Flows*

Overall, the CE available for meeting the balance payouts to the investors is sufficient to upgrade/reaffirm the ratings in the transactions. ICRA will continue to monitor the performance of the transactions. Any further rating action will be based on the performance of the pools and the availability of CE relative to ICRA's expectations.

Key rating assumptions

ICRA's cash flow modelling for the surveillance of mortgage-based securitisation (MBS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the balance tenor of the pool) and prepayments in the pools. The assumptions for the loss and coefficient of variation (CoV) are arrived at after taking into account the past performance of the originator's portfolio and rated pools as well as the performance and characteristics of the specific pool being evaluated. Additionally, the assumptions may be adjusted to factor in the current operating environment and any industry-specific factors that ICRA believes could impact the performance of the underlying pool of contracts.

After making these adjustments, the expected mean shortfall in principal collection and prepayments during the balance tenure of the pools are provided in the table below.

S. No.	Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
1	Sinnan IFMR Capital 2014	0.40-1.40%	12%-15% p.a.
2	Elbe IFMR Capital 2017	4.40-5.40%	12%-15% p.a.
3	Northern Arc 2019 AHF Angna	5.10-6.10%	12%-15% p.a.

Liquidity position

Superior for PTC Series A2 under Sinnan IFMR Capital 2014

The liquidity position is expected to be strong as the collections from the pool and the credit collateral available are expected to be highly comfortable to meet the balance PTC payouts. Assuming a monthly collection efficiency of even 50% in the underlying pool of contracts in the current stress scenario, the available credit collateral is expected to be very comfortable to meet the promised payouts to the PTC investors.

Strong for PTC Series A2 and PTC Series A3 under Elbe IFMR Capital 2017

As per the transaction structure, only the interest amount is promised to the PTC Series A2 and PTC series A3 holders (once the PTC Series A2 has matured) on a monthly basis while the principal amount is promised on the scheduled maturity date of the transaction. This imparts significant liquidity to the transaction in the interim period. The cash flows from the pool and the available CE are expected to be comfortable to meet the promised payouts to the PTC Series A2 and PTC series A3 investors.

Strong for PTC Series A1 and PTC Series A2 under Northern Arc 2019 AHF Angna

As per the transaction structure, only the interest amount is promised to the PTC Series A1 and PTC series A2 holder (once the PTC Series A1 has matured) on a monthly basis while the principal amount is promised on the scheduled maturity date of the transaction. This imparts significant liquidity to the transaction in the interim period. The cash flows from the pool and the available CE are expected to be comfortable to meet the promised payouts to the PTC Series A1 and PTC series A2 investors.

Rating sensitivities

Positive factors – The ratings could be upgraded if sustained strong collection performance is witnessed in the underlying pools, leading to low delinquency levels and build-up of cover from the CE of the balance pool principal.

Negative factors – Pressure on the ratings could emerge due to the sustained weak collection performance of the underlying pools, leading to higher-than-expected delinquency levels and CE utilisation levels.

Analytical approach

The rating action is based on the analysis of the performance of ISFC's portfolio till June 2021, the key characteristics and composition of the current pools, the performance expected over the balance tenure of the pools, and the CE cover available in the transactions.

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for Securitisation Transactions ICRA's Policy on Withdrawal and Suspension of Credit Rating
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

About the company

India Shelter Finance Corporation Limited (ISFC) is a housing finance company incorporated in 1998 as Satyaprakash Housing Finance. The company was acquired by the current investors in September 2009. ISFC is focused on the low-cost and affordable housing segment, targeting self-employed customers in the informal low-and-middle-income segment.

As on March 31, 2021, ISFC had 115 branches and a managed portfolio of Rs. 2,199 crore. At present, the company operates in 14 states and 1 Union Territory, namely Rajasthan, Madhya Pradesh, Maharashtra, Gujarat, Chhattisgarh, Uttar Pradesh, Punjab, Uttarakhand, Odisha, Karnataka, Tamil Nadu, Telangana, Andhra Pradesh, Haryana and Delhi. It offers loans to customers for home improvement, home extension, construction of dwelling units on an owned plot of land, home purchase and loan against property.

ISFC reported a profit of Rs. 87.39 crore in FY2021 on an asset base of Rs. 2,493.65 crore as on March 31, 2021 vis-à-vis a profit of Rs. 46.91 crore in FY2020 on an asset base of Rs. 1,815.18 crore as on March 31, 2020. The gross and net non-performing advances (NPAs) stood at 1.78% and 1.23%, respectively, as on March 31, 2021.

Key financial indicators

India Shelter Finance Corporation Limited	FY2020	FY2021
Total income	229.9	322.80
Profit after tax	46.9	87.39
AUM	1,519.8	2,199
Gross NPA (%)	1.29%	1.78%
Net NPA (%)	0.86%	1.23%

Source: *Company; Amount in Rs. crore*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Trust Name	Current Rating (FY2022)				Chronology of Rating History for the Past 3 Years		
		Instrument	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					Jul 27, 2021	Aug 31, 2020	Aug 29, 2019	Jul 27, 2018
1	Sinnan IFMR Capital 2014	PTC Series A1	11.49	--	[ICRA]AA+(SO) Withdrawn	[ICRA]AA+(SO)	[ICRA]AA+(SO)	[ICRA]AA(SO)
		PTC Series A2	0.52	0.48	[ICRA]AAA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA-(SO)

	Trust Name	Current Rating (FY2022)				Chronology of Rating History for the Past 3 Years		
		Instrument	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					Jul 27, 2021	Aug 31, 2020	Aug 29, 2019	Jul 27, 2018
2	Elbe SBL IFMR Capital 2017	PTC Series A2	29.04	13.22	[ICRA]AA-(SO)	[ICRA]AA-(SO)	[ICRA]AA-(SO)	[ICRA]A+(SO)
		PTC Series A3	1.80	1.80	[ICRA]A(SO)	[ICRA]BBB+(SO)	[ICRA]BBB+(SO)	[ICRA]BBB(SO)

	Trust Name	Current Rating (FY2022)				Chronology of Rating History for the Past 3 Years		
		Instrument	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	
					Jul 27, 2021	Aug 31, 2020	Nov 22, 2019	Jul 04, 2019
3	Northern Arc 2019 AHF Angna	PTC Series A1	41.59	14.93	[ICRA]AA+(SO)	[ICRA]AA+(SO)	[ICRA]AA+(SO)	Provisional [ICRA]AA+(SO) assigned
		PTC Series A2	3.83	3.75	[ICRA]A+(SO)	[ICRA]A+(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO) assigned

Complexity level of the rated instrument

Trust name	Instrument	Complexity Indicator
Sinnan IFMR Capital 2014	PTC Series A1 and PTC Series A2	Simple
Elbe IFMR Capital 2017	PTC Series A2 and PTC Series A3	Moderately Complex
Northern Arc 2019 AHF Angna	PTC Series A1 and PTC Series A2	Moderately Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: www.icra.in

Annexure-1: Instrument details

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Sinnan IFMR Capital 2014	PTC Series A1	Oct 2014	12.50%	Aug 2028	0.00	[ICRA]AA+(SO); withdrawn
	PTC Series A2		17.00%		0.48	[ICRA]AAA(SO)
Elbe IFMR Capital 2017	PTC Series A2	Jun 2017	10.25%	Mar 2031	13.22	[ICRA]AA-(SO)
	PTC Series A3		13.00%		1.80	[ICRA]A(SO)
Northern Arc 2019 AHF Angna	PTC Series A1	Jun 2019	10.50%	Nov 2028	14.93	[ICRA]AA+(SO)
	PTC Series A2		12.00%		3.75	[ICRA]A+(SO)

* *Scheduled maturity date at transaction initiation; may change on account of prepayments*

Source: *Company*

Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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