September 27, 2021

Indiabulls Housing Finance Limited: Ratings reaffirmed for PTCs/upgraded for assignee payouts issued under five mortgage loan securitisation transactions

Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/s after last surveillance (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Innovation Trust XX Mar 14	PTC Series A	315.17	72.84	47.15	[ICRA]AAA(SO); Reaffirmed
Innovation Trust XXVIII Jun 2017	PTC Series A	329.96	150.12	99.09	[ICRA]AAA(SO); Reaffirmed
Innovation Trust XXIX Sept 2017	PTC Series A	609.69	330.86	223.20	[ICRA]AAA(SO); Reaffirmed
Innovation Trust XXIX Dec-19	PTC Series A	185.27	149.83	76.35	[ICRA]AAA(SO); Reaffirmed
Innovation Trust XXXII Dec-19	Assignee Payouts	492.60	426.94	256.19	[ICRA]AA+(SO); Upgraded from [ICRA]AA(SO)

**Instrument details are provided in Annexure-1*

Rationale

The pass-through certificates (PTCs) and assignee payouts (APs) originated by Indiabulls Housing Finance Limited (IBHFL) are backed by mortgage loan receivables. The ratings reaffirmation/upgrade is on account of the moderate to high amortisation of the PTCs under each PTC transaction and the moderate amortisation in the AP transaction, which has led to the healthy build-up of the credit enhancement cover over the future PTC payouts as well as the future APs. The breakeven collection efficiency is also comfortable compared to the actual collection level observed in the pools.

Pool performance summary

Parameter	Innovation Trust XX Mar 14	Innovation Trust XXVIII Jun 2017	Innovation Trust XXIX Sept 2017	Innovation Trust XXIX Dec-19	Innovation Trust XXXII Dec-19
Months post securitisation	89	50	47	19	19
Pool amortisation	85.04%	69.97%	63.39%	58.79%	47.99%
Purchaser payouts amortisation	85.04%	69.97%	63.39%	58.79%	47.99%
Cumulative collection efficiency[1]	99.95%	99.16%	99.21%	101.20%	101.13%
Loss-cum-90+ dpd[2] (% of initial pool)	0.00%	0.00%	0.00%	0.00%	0.00%
Loss-cum-180+ dpd[3] (% of initial pool)	0.00%	0.00%	0.00%	0.00%	0.00%
Cumulative cash collateral (CC) utilisation	0.00%	0.00%	0.00%	0.00%	0.00%

[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 contracts delinquent for more than 90 days, as a percentage of initial pool principal*
[3] *Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 180 days, as a percentage of initial pool principal*

CC available (as % of balance pool principal)	58.50%	35.20%	26.16%	31.43%	17.32%
Excess interest spread (EIS) over balance tenure (as % of balance pool)	52.64%	62.37%	66.87%	69.04%	80.61%

Key rating drivers

Credit strengths

- Moderate to high amortisation of PTCs resulting in build-up of credit enhancement in the transactions
- Healthy collection performance in the pools; nil cash collateral (CC) utilisation as shortfalls have been met through availability of excess interest spread (EIS) in the transactions

Credit challenges

- PTC/assignee yield is linked to external benchmark and pool yield is linked to Originator's internal rate, leading to basis risk in the structure
- Pool's performance will remain exposed to disruptions caused by the Covid-19 pandemic

Description of key rating drivers highlighted above

The performance of all five pools has been strong in terms of collections with a cumulative collection efficiency of more than 99% till the July 2021 collection month. Any shortfall in collections has been absorbed by the EIS in the structure and there has not been any instance of CC utilisation in any of the transactions till date. The Mar-14, Jun-17 and Sep-17 pools have reached moderate to high amortisation levels after the August 2021 payouts, which has led to considerable credit enhancement build-up for the residual tenor. The Dec-19 PTC and Dec-19 AP pools have reached high amortisation levels in the range of 47-59% in the 19 months post securitisation owing to the high level of prepayments observed in these pools.

The delinquencies, i.e. loss-cum-90+ days past due (dpd), are nil as of the July 2021 collection month for all five pools, which is well below the ICRA loss estimate range.

Overall, the credit enhancement available for meeting the balance payouts to the investors is sufficient to reaffirm and upgrade the ratings of the PTCs and APs, respectively. 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 credit enhancement relative to ICRA's expectations.

Key rating assumptions

ICRA's cash flow modelling for the surveillance of mortgage-backed 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 pool. The assumptions for 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 loss and prepayments during the balance tenure of the pools are given in the table below.

Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
Innovation Trust XX Mar 14	0.5% - 1.5%	15% - 18% p.a.
Innovation Trust XXVIII Jun 2017	0.5% - 1.5%	15% - 18% p.a.
Innovation Trust XXIX Sept 2017	1.0% - 2.0%	15% - 18% p.a.
Innovation Trust XXIX Dec-19	1.0% - 2.0%	15% - 18% p.a.
Innovation Trust XXXII Dec-19	1.5% - 2.5%	15% - 18% p.a.

Liquidity position

Superior for PTC Series A of Innovation Trust XX Mar 14, XXVIII June 2017, XXIX Sept 2017 and Trust XXIX Dec-19

The CC, as a percentage of the balance pool principal amount available in all the transactions, is between 31% and 59% of the balance pool principal. The availability of overall credit enhancement is expected to be highly comfortable to meet the promised payouts to the investors. The CC is adequate to cover 17-46 months of the promised payouts due to the investors.

Strong for APs of Innovation Trust XXXII Dec-19 transaction

The CC, as a percentage of the balance pool principal amount available in the transaction, is around 17% of the balance pool principal post the August 2021 payout. The availability of overall credit enhancement is expected to be comfortable to meet the promised payouts to the investors. The CC is adequate to cover 17 months of promised payouts due throughout the balance tenure to the investors.

Rating sensitivities

Positive factors (for Innovation Trust XXXII Dec-19) – The rating could be upgraded if the collection efficiency in the pool remains healthy (>95%) on a sustained basis, leading to an adequate increase in the cover available for future investor payouts from the credit enhancement.

Negative factors – A rating downgrade for the pools could occur on the sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and credit enhancement.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for Securitisation Transactions
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

About the company

Incorporated in 2005, IBHFL is a housing finance company registered with National Housing Bank. In March 2013, the parent company, Indiabulls Financial Services Limited, merged with IBHFL. The company provides mortgage loans, lease rental discounting and construction finance with a prime focus on the mortgage and home finance business. As on March 31, 2021, IBHFL's total assets stood at Rs. 93,238 crore. On a consolidated basis, IBHFL reported a net profit of Rs. 1,202 crore in FY2021 compared to a net profit of Rs. 2,200 crore in FY2020.

Key financial indicators

IBHFL	FY0219	FY2020	FY2021
Net Interest Income	5,128	3,037	2,783
Net Profit	4,091	2,200	1,202
Total Assets	1,31,068	1,06,551	93,238
Gross NPA (%)*	0.88%	1.47%	2.66%
Net NPA (%)#	0.69%	1.10%	1.59%

Note: *Amount in Rs. crore*
Source: *Company & ICRA Research*
**As a % of gross advances; # As a % of net advances*

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
					Sep 27, 2021	Sep 28, 2020	Aug 29, 2019	Jul 27, 2018
1	Innovation Trust XX Mar 14	PTC Series A	315.17	47.15	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(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
					Sep 27, 2021	Sep 28, 2020	Aug 29, 2019	Jul 27, 2018
2	Innovation Trust XXVIII Jun 2017	PTC Series A	329.96	99.09	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(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
					Sep 27, 2021	Sep 28, 2020	Aug 29, 2019	Jul 27, 2018
3	Innovation Trust XXIX Sept 2017	PTC Series A	609.69	223.20	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(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
					Sep 27, 2021	Sep 28, 2020	Feb 25, 2020	Dec 24, 2019	-
4	Innovation Trust XXIX Dec-19	PTC Series A	185.27	76.35	**[ICRA]AAA(SO)**	**[ICRA]AAA(SO)**	**[ICRA]AAA(SO)**	**Provisional [ICRA]AAA(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
					Sep 27, 2021	Sep 28, 2020	Apr 24, 2020	Feb 06, 2020	Jan 02, 2020	-
5	Innovation Trust XXXII Dec-19	Assignee Payouts	492.60	256.19	**[ICRA]AA+(SO)**	**[ICRA]AA(SO)**	**[ICRA]AA(SO)**	**[ICRA]AA(SO)**	**Provisional [ICRA]AA(SO)**	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Innovation Trust XX Mar 14	PTC Series A	Moderately Complex
Innovation Trust XXVIII Jun 2017	PTC Series A	Moderately Complex
Innovation Trust XXIX Sept 2017	PTC Series A	Moderately Complex
Innovation Trust XXIX Dec-19	PTC Series A	Moderately Complex
Innovation Trust XXXII Dec-19	Assignee Payouts	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: Click Here

Annexure-1: Instrument details

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate^	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Innovation Trust XX Mar 14	PTC Series A	March 2014	7.65%	March 2035	47.15	[ICRA]AAA(SO)
Innovation Trust XXVIII Jun 2017	PTC Series A	June 2017	6.81%	January 2046	99.09	[ICRA]AAA(SO)
Innovation Trust XXIX Sept 2017	PTC Series A	September 2017	6.81%	April 2049	223.20	[ICRA]AAA(SO)
Innovation Trust XXIX Dec-19	PTC Series A	December 2019	8.30%	December 2039	76.35	[ICRA]AAA(SO)
Innovation Trust XXXII Dec-19	Assignee Payouts	December 2019	8.20%	December 2049	256.19	[ICRA]AA+(SO)

*** Expected maturity at transaction initiation; may change on account of prepayment and yield change*
^ Coupon rate is floating and linked to investor's MCLR/Base rate
***Source:** Company*

Annexure-2: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Abhishek Dafria
+91 22 6114 3440
abhishek.dafria@icraindia.com

Mukund Upadhyay
+91 22 6114 3434
mukund.upadhyay@icraindia.com

Himanshi Doshi
+91 22 6114 3410
himanshi.doshi@icraindia.com

Yuvraj Handa
+91 22 6114 3400
yuvraj.handa@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar
+91 22 6114 3304
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

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ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches