May 17, 2022

Reliance Home Finance Limited: Rating for PTCs issued under mortgage loan securitisation transactions remains on Watch with Developing Implications

Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/s after Previous Surveillance (Rs. crore)	Amount after Apr-22 Payout (Rs. crore)	Rating Action
Indian Receivable Trust 9	PTC Series A	50.08	5.38	3.95	[ICRA]BBB(SO)&; remains on Watch with Developing Implications
RHF Indian Receivable Trust I 2016	PTC Series A	80.46	22.73	17.29	[ICRA]BBB(SO)&; remains on Watch with Developing Implications
RHF Indian Receivable Trust 2 2017	PTC Series A	85.50	32.20	24.10	[ICRA]BBB(SO)&; remains on Watch with Developing Implications
RHF Indian Receivable Trust 3 2017	PTC Series A	98.74	35.62	27.02	[ICRA]BBB(SO)&; remains on Watch with Developing Implications
Indian Receivable Trust 2018 Series 1	PTC Series A	868.45	300.34	217.04	[ICRA]BBB(SO)&; remains on Watch with Developing Implications
Indian Receivable Trust 2018 Series 2	PTC Series A	634.20	308.52	233.21	[ICRA]BBB(SO)&; remains on Watch with Developing Implications
Indian Receivable Trust 2018 Series 3	PTC Series A	272.84	130.08	98.06	[ICRA]BBB(SO)&; remains on Watch with Developing Implications
Indian Receivable Trust 2018 Series 4	PTC Series A	267.58	117.84	88.64	[ICRA]BBB(SO)&; remains on Watch with Developing Implications
Indian Receivable Trust 2018 Series 7	PTC Series A	120.15	67.95	53.84	[ICRA]BBB(SO)&; remains on Watch with Developing Implications
Indian Receivable Trust 2019 Series 1	PTC Series A	139.94	70.58	54.25	[ICRA]BBB(SO)&; remains on Watch with Developing Implications
Indian Receivable Trust 2019 Series 2	PTC Series A	63.31	27.65	17.24	[ICRA]BBB(SO)&; remains on Watch with Developing Implications

**Instrument details are provided in Annexure-1*

Rationale

The pass-through certificates (PTCs) tabulated above are backed by mortgage loan receivables originated by Reliance Home Finance Limited (RHFL; rated [ICRA]D Issuer Not Cooperating). The receivables have been assigned to the trusts at par.

The rating remains on Watch with Developing Implications due to concerns regarding RHFL's (the originator and credit enhancement provider) credit profile. The collections in the pools have remained largely healthy thus far. RHFL remains the servicer for one of the above-mentioned transactions (RHF Indian Receivable Trust 3 2017) while the servicing for the others has been taken over by the investors. This notwithstanding, RHFL has provided a cash collateral (CC) for each transaction that may come under moratorium if any bankruptcy proceedings under the Insolvency and Bankruptcy Code are initiated against the company. The timely resolution of the ongoing discussion between RHFL and its lenders, and its impact on its credit profile, would thus remain a key monitorable.

The rating, however, draws comfort from the amortisation witnessed in each transaction, which has led to a healthy increase in the credit enhancement cover over the future PTC payouts. The breakeven collection efficiency is comfortable compared to the actual collection level observed in the pools.

A summary of the performance of the pools till the March 2022 collection month (April 2022 payout) has been tabulated below.

Pool performance summary

Parameter	Indian Receivable Trust 9	RHF Indian Receivable Trust I 2016	RHF Indian Receivable Trust 2 2017	RHF Indian Receivable Trust 3 2017	Indian Receivable Trust 2018 Series 1	Indian Receivable Trust 2018 Series 2
Pool amortisation (%)	91.82%	77.92%	71.23%	71.75%	72.92%	61.92%
PTC amortisation (%)	92.11%	78.51%	71.81%	72.63%	75.01%	63.23%
Cumulative collection efficiency[1] (%)	99.46%	98.55%	98.30%	98.46%	92.57%	93.87%
Monthly collection efficiency for last three months	105.93%	95.37%	91.61%	95.26%	83.22%	87.42%
Cumulative prepayment (%)	75.98%	65.92%	58.42%	61.39%	66.72%	53.42%
Breakeven collection efficiency[2](%)	3.47%	54.06%	60.28%	60.98%	58.38%	67.18%
Loss-cum-90+[3] (% of initial pool principal)	1.12%	2.07%	3.35%	2.66%	8.30%	7.60%
Loss-cum-180+[4] (% of initial pool principal)	0.65%	1.77%	2.64%	2.10%	6.51%	6.37%
Cumulative CC utilisation (% of initial CC)	0.00%	0.00%	0.00%	0.00%	7.60%	0.00%
Peak CC utilisation (%)	0.06%	0.11%	0.25%	1.22%	9.47%	7.68%
CC available (as % of balance pool principal)	>100%	40.81%	29.55%	36.28%	40.95%	23.64%
Excess interest spread (EIS) over balance tenure (as % of balance pool)	57.55%	43.50%	45.09%	40.69%	26.94%	38.66%

Parameter	Indian Receivable Trust 2018 Series 3	Indian Receivable Trust 2018 Series 4	Indian Receivable Trust 2018 Series 7	Indian Receivable Trust 2019 Series 1	Indian Receivable Trust 2019 Series 2
Pool amortisation (%)	62.92%	65.66%	53.67%	59.98%	71.72%
PTC amortisation (%)	64.06%	66.87%	55.19%	61.23%	72.76%
Cumulative collection efficiency (%)	98.86%	96.05%	94.78%	98.05%	103.22%
Monthly collection efficiency for last three months	93.20%	88.83%	85.59%	94.74%	105.22%
Cumulative prepayment (%)	58.65%	60.36%	49.04%	55.73%	66.18%

[1] Cumulative collections till date / Cumulative billings till date plus opening overdues
[2] It is the minimum collection efficiency required over the balance tenure to ensure all assignee payouts are met: (Balance cash flows payable to assignee – Cash collateral available)/ Balance pool cash flows
[3] POS on contracts aged 90+ dpd + overdues / Initial POS on the pool
[4] POS on contracts aged 180+ dpd + overdues / Initial POS on the pool

Parameter	Indian Receivable Trust 2018 Series 3	Indian Receivable Trust 2018 Series 4	Indian Receivable Trust 2018 Series 7	Indian Receivable Trust 2019 Series 1	Indian Receivable Trust 2019 Series 2
Breakeven collection efficiency (%)	65.58%	62.48%	66.59%	66.58%	53.55%
Loss-cum-90+ (% of initial pool principal)	4.62%	5.96%	9.62%	4.41%	2.72%
Loss-cum-180+ (% of initial pool principal)	3.04%	4.09%	7.36%	3.20%	1.63%
Cumulative CC utilisation (% of initial CC)	0.00%	0.00%	0.00%	0.00%	0.00%
Peak CC utilisation (%)	4.95%	5.62%	7.03%	6.03%	4.43%
CC available (as % of balance pool principal)	37.76%	39.03%	28.60%	33.73%	59.82%
EIS over balance tenure (as % of balance pool)	38.89%	37.11%	46.44%	37.93%	34.56%

Key rating drivers

Credit strengths

- Healthy collection performance in all the pools, despite the disruptions caused by the first and second waves of the Covid-19 pandemic
- Low level of CC utilisation observed in the pools

Credit challenges

- Weak credit profile of the credit enhancement provider (viz. RHFL) in all the pools
- Weak credit profile of the servicer (viz. RHFL) for a transaction (RHF Indian Receivable Trust 3 2017)

Description of key rating drivers highlighted above

The performance of all the pools has been strong with a cumulative collection efficiency of more than 92%. For transactions originated prior to FY2018, the peak CC utilisation is very low till the April 2022 payout. Nonetheless, the CC is entirely topped up till the April 2022 payout month for all the transactions except Indian Receivable Trust 2018 Series 1. The monthly collection efficiency has been reported as relatively low for the pools of Indian Receivable Trust 2018 Series 1 and Indian Receivable Trust 2018 Series 2, which can be attributed to the presence of loan against property (LAP) contracts where collections were more impacted by the pandemic in the underlying pools. However, the breakeven collection efficiency is in the range of 58-68% much lower as compared to the cumulative collection efficiency of ~93% for these pools.

For transactions rated prior to FY2018, the pools have amortised significantly between 71% and 92%. For transactions rated in FY2019 and FY2020, the pool amortisation is moderate, ranging between 51% and 71%. Consequently, the CC build-up in these transactions is also high, which provides a cushion to meet any shortfalls that may occur in the near term due to the pandemic. The CC is in the form of a fixed deposit provided by RHFL. ICRA notes the ongoing debt resolution process for RHFL as per the Reserve Bank of India’s circular on Prudential Framework for Resolution of Stressed Assets dated June 07, 2019, which would be a key monitorable for the rating assigned to the PTCs. In the event the current ICA resolution for RHFL is not getting executed and RHFL is forced to undergo bankruptcy proceedings under the Insolvency and Bankruptcy Code, the CC for the transactions may not be available as envisaged.

ICRA will continue to monitor the performance of these transactions. Any further rating action will be based on the performance of the pools, RHFL’s credit profile and the availability of credit enhancement relative to ICRA’s expectations.

Key rating assumptions

ICRA's cash flow modelling for the rating of mortgage-backed securitisation (MBS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the tenor of the pool) and prepayments in the pool. 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. The rating of the PTCs is constrained and remains on Watch with Developing Implications on account of the weak credit profile of RHFL (the servicer and credit enhancement provider for these transactions).

Liquidity position: Adequate

As per the transaction structure, the cash flows from the pool and the available credit enhancement are expected to be adequate to meet the promised payouts to the PTC investors.

Rating sensitivities

Positive/Negative factors – The rating watch would be resolved following the conclusion of the debt resolution process of RHFL and its impact on the company's credit profile.

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

Reliance Home Finance Limited (RHFL), which was incorporated in FY2009, was a subsidiary of Reliance Capital Limited (RCL). It is registered as a housing finance company with National Housing Bank and is engaged in mortgage-based lending operations. RHFL was listed on the stock exchanges in India in the second half of September 2017 after it was hived off from RCL, following which RCL's stake in the company declined to ~48%. The overall promoter holding in the company declined to ~50% as on March 31, 2020 from ~75% as on March 31, 2019. The company ceased to be a subsidiary of RCL with effect from March 05, 2020 and is now an associate of RCL.

Key financial indicators (audited)

	FY2020	FY2021	FY2022
Total Income	1,603	840	294
Profit after Tax	(375)	(1,520)	(5,440)
Total Assets	15,729	14,898	10,144
Net Worth	1,445	(48)	(5,482)
Gearing (times)	7.74	(236.74)	(2.09)

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

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date and Rating in FY2023	Date and Rating in FY2022	Date and Rating in FY2021	Date and Rating in FY2020	
					May-17-2022	May-31-2021	May-29-2020	Apr-30-2019	Apr-03-2019
1	Indian Receivable Trust 9	PTC Series A	50.08	3.95	**[ICRA]BBB (SO)&**	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	[ICRA]AA (SO)&

& - The symbol implies that the ratings are on Watch with Developing Implications

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date and Rating in FY2023	Date and Rating in FY2022	Date and Rating in FY2021	Date and Rating in FY2020	
					May-17-2022	May-31-2021	May-29-2020	Apr-30-2019	Apr-03-2019
2	RHF Indian Receivable Trust I 2016	PTC Series A	80.46	17.29	**[ICRA]BBB (SO)&**	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	[ICRA]AA (SO)&

& - The symbol implies that the rating is on Watch with Developing Implications

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date and Rating in FY2023	Date and Rating in FY2022	Date and Rating in FY2021	Date and Rating in FY2020	
					May-17-2022	May-31-2021	May-29-2020	Apr-30-2019	Apr-03-2019
3	RHF Indian Receivable Trust 2 2017	PTC Series A	85.50	24.10	**[ICRA]BBB (SO)&**	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	[ICRA]AA (SO)&

& - The symbol implies that the rating is on Watch with Developing Implications

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date and Rating in FY2023	Date and Rating in FY2022	Date and Rating in FY2021	Date and Rating in FY2020	
					May-17-2022	May-31-2021	May-29-2020	Apr-30-2019	Apr-03-2019
4	RHF Indian Receivable Trust 3 2017	PTC Series A	98.74	27.02	**[ICRA]BBB (SO)&**	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	[ICRA]AA (SO)&

& - The symbol implies that the rating is on Watch with Developing Implications

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date and Rating in FY2023	Date and Rating in FY2022	Date and Rating in FY2021	Date and Rating in FY2020		
					May-17-2022	May-31-2021	May-29-2020	Mar-18-2020	Apr-30-2019	Apr-03-2019
5	Indian Receivable Trust 2018 Series 1	PTC Series A	868.45	217.04	**[ICRA]BBB (SO)&**	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	[ICRA]BBB (SO)@	[ICRA]BBB(SO)&	[ICRA]AA (SO)&

& - The symbol implies that the rating is on Watch with Developing Implications
@ - The symbol implies that the rating is on Watch with Negative Implications

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date and Rating in FY2023	Date and Rating in FY2022	Date and Rating in FY2021	Date and Rating in FY2020		
					May-17-2022	May-31-2021	May-29-2020	Mar-18-2020	Apr-30-2019	Apr-03-2019
6	Indian Receivable Trust 2018 Series 2	PTC Series A	634.20	233.21	**[ICRA]BBB (SO)&**	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	[ICRA]BBB (SO)@	[ICRA]BBB(SO)&	[ICRA]AA (SO)&

& - The symbol implies that the rating is on Watch with Developing Implications
@ - The symbol implies that the rating is on Watch with Negative Implications

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date and Rating in FY2023	Date and Rating in FY2022	Date and Rating in FY2021	Date and Rating in FY2020	
					May-17-2022	May-31-2021	May-29-2020	Apr-30-2019	Apr-03-2019
7	Indian Receivable Trust 2018 Series 3	PTC Series A	272.84	98.06	**[ICRA]BBB (SO)&**	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	[ICRA]AA (SO)&

& - The symbol implies that the rating is on Watch with Developing Implications

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date and Rating in FY2023	Date and Rating in FY2022	Date and Rating in FY2021	Date and Rating in FY2020	
					May-17-2022	May-31-2021	May-29-2020	Apr-30-2019	Apr-03-2019
8	Indian Receivable Trust 2018 Series 4	PTC Series A	267.58	88.64	**[ICRA]BBB (SO)&**	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	[ICRA]AA (SO)&

& - The symbol implies that the rating is on Watch with Developing Implications

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date and Rating in FY2023	Date and Rating in FY2022	Date and Rating in FY2021	Date and Rating in FY2020	
					May-17-2022	May-31-2021	May-29-2020	Apr-30-2019	Apr-03-2019
9	Indian Receivable Trust 2018 Series 7	PTC Series A	120.15	53.84	**[ICRA]BBB (SO)&**	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	[ICRA]AA (SO)&

& - The symbol implies that the rating is on Watch with Developing Implications

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date and Rating in FY2023	Date and Rating in FY2022	Date and Rating in FY2021	Date and Rating in FY2020		
					May-17-2022	May-31-2021	May-29-2020	Aug-19-2019	Apr-30-2019	Apr-03-2019
10	Indian Receivable Trust 2019 Series 1	PTC Series A	139.94	54.25	**[ICRA]BBB (SO)&**	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	[ICRA]BBB(SO)&	Provisional [ICRA]BBB (SO)&	Provisional [ICRA]AA (SO)&

& - The symbol implies that the rating is on Watch with Developing Implications

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date and Rating in FY2023	Date and Rating in FY2022	Date and Rating in FY2021	Date and Rating in FY2020		
					May-17-2022	May-31-2021	May-29-2020	Aug-19-2019	Apr-30-2019	Apr-03-2019
11	Indian Receivable Trust 2019 Series 2	PTC Series A	63.31	17.24	**[ICRA]BBB (SO)&**	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	Provisional [ICRA]BBB (SO)&	Provisional [ICRA]AA (SO)&

& - The symbol implies that the rating is on Watch with Developing Implications

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Indian Receivable Trust 9	PTC Series A	Moderately Complex
RHF Indian Receivable Trust I 2016	PTC Series A	Moderately Complex
RHF Indian Receivable Trust 2 2017	PTC Series A	Moderately Complex
RHF Indian Receivable Trust 3 2017	PTC Series A	Moderately Complex
Indian Receivable Trust 2018 Series 1	PTC Series A	Moderately Complex
Indian Receivable Trust 2018 Series 2	PTC Series A	Moderately Complex
Indian Receivable Trust 2018 Series 3	PTC Series A	Moderately Complex
Indian Receivable Trust 2018 Series 4	PTC Series A	Moderately Complex
Indian Receivable Trust 2018 Series 7	PTC Series A	Moderately Complex
Indian Receivable Trust 2019 Series 1	PTC Series A	Moderately Complex
Indian Receivable Trust 2019 Series 2	PTC Series A	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	Coupon Rate#	Scheduled Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Indian Receivable Trust 9	PTC Series A	Aug 2013	8.45%	Dec 2037	3.95	[ICRA]BBB(SO)&
RHF Indian Receivable Trust I 2016	PTC Series A	Sep 2016	7.65%	Aug 2038	17.29	[ICRA]BBB(SO)&
RHF Indian Receivable Trust 2 2017	PTC Series A	Mar 2017	7.40%	Jan 2039	24.10	[ICRA]BBB(SO)&
RHF Indian Receivable Trust 3 2017	PTC Series A	Mar 2017	7.30% (Fixed)	Mar 2041	27.02	[ICRA]BBB(SO)&
Indian Receivable Trust 2018 Series 1	PTC Series A	Nov 2018	10.15%	Aug 2043	217.04	[ICRA]BBB(SO)&
Indian Receivable Trust 2018 Series 2	PTC Series A	Nov 2018	9.10%	Aug 2043	233.21	[ICRA]BBB(SO)&
Indian Receivable Trust 2018 Series 3	PTC Series A	Oct 2018	10.05%	Jun 2041	98.06	[ICRA]BBB(SO)&
Indian Receivable Trust 2018 Series 4	PTC Series A	Nov 2018	10.00%	Oct 2042	88.64	[ICRA]BBB(SO)&
Indian Receivable Trust 2018 Series 7	PTC Series A	Dec 2018	10.00%	Nov 2043	53.84	[ICRA]BBB(SO)&
Indian Receivable Trust 2019 Series 1	PTC Series A	Jan 2019	10.00%	Jan 2043	54.25	[ICRA]BBB(SO)&
Indian Receivable Trust 2019 Series 2	PTC Series A	Jan 2019	10.00%	May 2043	17.24	[ICRA]BBB(SO)&

Variable; subject to change owing to change in benchmark rate

** Scheduled maturity at transaction initiation; may change on account of prepayment and yield change*

& The symbol implies that the rating is on Watch with Developing Implications

Source: *Company*

Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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