June 16, 2022

IIFL Finance Limited: Rating reaffirmed at [ICRA]AAA(SO) for PTCs issued under a gold loan securitisation transaction

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. core)	Amount after Previous Rating Exercise (Rs. crore)	Amount after May-22 Payout (Rs. crore)	Rating Action
Liquid Gold Series 6	PTC Series A	535.00	NA	33.77	[ICRA]AAA(SO); Reaffirmed

**Instrument details are provided in Annexure-1*

Rationale

ICRA has reaffirmed the rating for the pass-through certificates (PTCs) issued under a gold loan securitisation transaction backed by a pool originated by IIFL Finance Limited [IIFL rated; [ICRA]AA(Stable)]. The rating reaffirmation factors in the high amortisation of the PTCs, which has led to the build-up of the credit enhancement (CE) cover over the future PTC payouts. The cash collateral (CC) available in the transaction fully covers the future PTC payouts.

Pool performance summary

A summary of the pool's performance till the April 2022 collection month (May 2022 payout) has been tabulated below.

Parameter	Liquid Gold series 6
Pool amortisation	79.13%
PTC amortisation	93.69%
Cumulative collection efficiency	92.89%
Cumulative prepayment rate[1]	74.21%
Loss-cum-30+ (% of initial pool principal)[2]	1.56%
Loss-cum-90+ (% of initial pool principal)[3]	0.00%
Cumulative Cash Collateral (CC) utilisation (% of initial CC)	0.00%
CC available (as % of balance PTC cashflows)	>100%

Key rating drivers

Credit strengths

- Significant amortization of the pool resulting in CC fully covering the future PTC payouts

Credit challenges

- Not Applicable

[1] *Principal outstanding at the time of prepayment of contracts prepaid till date divided by initial pool principal*

[2] *POS on contracts aged 90+ dpd / Initial POS on the pool*

[3] *POS on contracts aged 180+ dpd / Initial POS on the pool*

Description of key rating drivers highlighted above

The pool has exhibited satisfactory performance with a cumulative collection efficiency around 93% as of the May 2022 payouts. While the pool has seen some delinquencies in the softer buckets with loss cum 0+ dpd at 1.56% as on May-22 payout the loss-cum-90+ days past due (dpd) have been nil for the pool. The pool has also not seen any loss cum 90+ dpd while the peak loss cum 0+ dpd has been low at 2.45%. Prepayments for the pool have been high at with cumulative prepayments seen at ~74% of the pool as on May-22 payout month. The pool has a turbo timely interest and ultimate principal payment structure and has seen no instance of CC utilisation till May 2022 payouts. As the pool is highly amortised, the credit enhancement (CE) has significantly built up in the transaction. As on May-22 payout the available CC fully covers the entire future PTC Series A payouts.

Performance of past rated pools: ICRA has rated 35 PTC gold loan transactions of IIFL till date. The delinquencies in all the matured pools were low while the prepayments were high. The live pools have shown healthy collections and low delinquencies in the harder buckets with nil 90+ dpd and nil CC utilisation

Key rating assumptions

ICRA's cash flow modelling for rating asset-backed securitisation (ABS) transactions involves the simulation of potential delinquencies (shortfall in principal collection during the tenor of the pool) and prepayments in the pool. The assumptions for the shortfall in collections are arrived at after taking into account the past performance of the originator's portfolio and the rated pools as well as the characteristics of the current pool being evaluated. Additionally, the assumptions may be adjusted to account for the current macroeconomic situation as well as any industry-specific factors that ICRA believes could impact the performance of the underlying pool contracts.

Liquidity position: Superior

The liquidity of the rated transaction is expected to be superior as the CC covers the future payouts entirely.

Rating sensitivities

Positive factors – Not Applicable

Negative factors – Rating is unlikely to be downgraded for the transaction as the CC is fully covering the future PTC payouts.

Analytical approach

The rating action is based on the pool's performance till April 2022 (collection month), the present delinquency profile of the pool, the CE available in the pool, and the performance expected over the balance tenure of the pool.

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

About the company

IIFL Finance was a listed non-operating holding company with India Infoline Finance, a non-deposit accepting non-banking financial company (NBFC-ND), as its subsidiary. As part of the merger scheme with the receipt of an NBFC licence by IIFL Finance, India Infoline Finance was merged with IIFL Finance with effect from March 30, 2020. IIFL and its subsidiaries, IIFL Home Finance (registered as a housing finance company) and Samasta Microfinance Limited (registered as an NBFC-MFI), offer home loans, loan against property, micro, small & medium enterprise (MSME) loans, gold loans, microfinance and real estate loans.

Key financial indicators

Consolidated	FY2020	FY2021	FY2022
Total income	4,821	5,850	6,595
Profit after tax	503	761	1,188
Loan book (AUM)	37,951	44,668	51,210
Gross NPA	2.3%	2.0%	3.2%
Net NPA	1.0%	0.9%	1.8%

Amounts in Rs. Crore; Source: Company & ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Trust Name	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years			
	Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2022		Date & Rating in FY2021	Date & Rating in FY2020
				June 16, 2022	June 25, 2021	June 18, 2021		
Liquid Gold Series 6	PTC Series A	535.00	33.77	**[ICRA]AAA(SO)**	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Liquid Gold Series 6	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

ISIN	Trust Name	Instrument	Date of Issuance	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating and Outlook
INE0I3L15011	Liquid Gold Series 6	PTC Series A	June 2021	7.67%	July 2023	33.77	[ICRA]AAA(SO)

**Scheduled maturity 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.

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