

February 14, 2023

Indiabulls Housing Finance Limited: [ICRA]AAA(SO) assigned to PTCs backed by home loan receivables issued by INNOVATION TRUST XXVIII SEP 19

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
INNOVATION TRUST XXVIII SEP 19	PTC Series A	28.56	[ICRA]AAA(SO); Assigned

*Instrument details are provided in Annexure-1

Rationale

ICRA has assigned [ICRA]AAA(SO) rating to the pass-through certificate (PTC) Series A under a securitisation transaction backed by home loan receivables originated by Indiabulls Housing Finance Limited {IHFL/Originator; rated [ICRA]AA(Stable)/[ICRA]A1+}. The PTCs are currently backed by a pool of Rs. 28.56 crore¹ (pool principal; receivables of Rs. 46.25 crore) of home loan receivables. The payouts for the transaction had commenced from November 2019. The rating draws comfort from the high credit enhancement (CE) available in the transaction in the form of – (i) cash collateral (CC) of ~47% of the pool principal provided by IHFL and (ii) excess interest spread (EIS) of ~43% in the structure after January 2023 payout. The pool performance has been healthy as reflected by the low delinquencies in the pool. The rating further takes comfort from the low breakeven collection efficiency compared to the actual collections observed in the pool till the latest payout month.

Key rating drivers

Credit strengths

- Significant CE available in the transaction due to high pool amortisation
- Healthy collection performance in the pool; no CC utilisation as on date as shortfalls have been met through availability of EIS in the transactions

Credit challenges

- PTC yield is linked to external benchmark and pool yield is linked to Originator's internal rate which leads to a basis risk in the structure
- The performance of the pool would remain exposed to macro-economic shocks / business disruptions, if any

Pool Performance summary

A summary of the performance of the pool till January 2023 payout month has been tabulated below.

Parameter	Innovation Trust XXVIII Sep 19
Months post securitisation	39
Pool Amortisation	74.55%
PTC Amortisation	74.55%
Cumulative collection efficiency ^{2*}	99.24%
Loss cum 30+ (% of initial pool principal) ³	0.92%
Loss cum 90+ (% of initial pool principal) ⁴	0.00%

¹ The pool principal was Rs 112.23 crore on the transaction cut-off date in 26th Sep 2019

² Cumulative collections till date / Cumulative billings till date plus opening overdues

³ POS on contracts aged 90+ dpd + overdues / Initial POS on the pool

⁴ POS on contracts aged 90+ dpd + overdues / Initial POS on the pool

Parameter	Innovation Trust XXVIII Sep 19
Break-even collection efficiency ⁵	55.92%
Cumulative credit collateral (CC) utilisation (% of initial CC)	0.00%
CC available (as % of pool principal)	47.16%
Excess interest spread (EIS) (as % of pool principal)	43.29%

**As of December 2022 payout month*

Description of key rating drivers highlighted above

According to the transaction structure, the loan pool receivables have been assigned at par to the PTC investors. The monthly promised cashflows for PTC Series A comprises of billed pool principal and the interest payment at the predetermined interest rate on the PTC Series A principal outstanding. Post January 2023 payout, a CC of Rs. 13.47 crore (47.16% of the current pool principal) provided by IHFL and the EIS in the structure provide CE in the transaction.

The performance of the pool has been strong in terms of collections with a cumulative collection efficiency of more than 99% till the January 2023 payout month. Any shortfall in collections has been absorbed by the EIS in the structure and there has not been any instance of CC utilisation till date. The credit enhancement has built up in the transaction given the high pool amortisation of ~75% (from the transaction date). The delinquencies, i.e. loss-cum-90+ days past due (dpd), are nil as of the December 2022 collection month. The pool comprises of both fixed rate contracts and floating rate contracts which are linked to IHFL's internal rate, which leads to a basis risk in the transaction structure. ICRA also notes that the pool's performance will remain exposed to any macro-economic shocks or business disruptions.

Key rating assumptions

ICRA's cash flow modelling for 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 the loss and the coefficient of variation (CoV) are arrived at after taking into account the past performance of the originator's portfolio and rated pools, and 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 the aforementioned adjustments, the expected mean shortfall in principal collection during the tenure of the pool is estimated at 2.25% to 3.25% of the current pool principal, with certain variability around it. The prepayment rate for the underlying pool is estimated at 12.0%-18.0% per annum.

Liquidity position: Superior

Cash collateral as proportion of the balance pool principal amount available in the transaction has built up to ~47% after January 2023 payout month. The availability of overall credit enhancement is expected to be highly comfortable to meet the promised payouts to investors. Even assuming a monthly collection efficiency of only 50% in the underlying pool contracts in a stress scenario, the credit collateral would cover the shortfalls in the scheduled PTC payouts for a period greater than 10 years.

⁵ It is the minimum collection efficiency required over the balance tenure to ensure all investor payouts are met: $(\text{Balance cash flows payable to investor} - \text{Credit collateral available}) / \text{Balance pool cash flows}$

Rating sensitivities

Positive factors – Not applicable

Negative factors – A rating downgrade for the pools could occur on sustained weak collection performance of the underlying pool leading to higher-than-expected delinquency levels and credit enhancement.

Analytical approach

The rating action is based on the performance of the pool till January 2023 (payout month), the present delinquency level analysis of the performance of IHFL's portfolio till September 2022, the performance expected over the balance tenure of the pool and the credit enhancement cover available in the transaction.

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, IHFL, incorporated in 2005, is a housing finance company registered with NHB. In March 2013, the parent company, Indiabulls Financial Services Limited, merged with IHFL. The company provides mortgage loans, LRD and construction finance with prime focus on the mortgage and home finance business. As on March 31, 2022, IHFL's AUM was Rs. 72,211 crore. On a consolidated basis, IHFL reported a net profit of Rs. 1,178 crore on a total income of Rs. 8,994 crore in FY2022 compared with a net profit of Rs. 1,202 crore on a total income of Rs. 10,030 crore in FY2021. In H1 FY2023, the company reported a net profit of Rs. 576 crore on a total income of Rs. 4,309 crore. Its AUM was Rs. 72,299 crore as on September 30, 2022.

Key financial indicators (audited; consolidated)

Particulars (Consolidated)	FY2021	FY2022	H1FY2023
Total income (Rs. crore)	10,030	8,994	4,309
Profit after tax (Rs. crore)	1,202	1,178	576
Assets under management (Rs. crore)	80,741	72,211	72,299
Gross non-performing assets (NPA)	2.7%	3.2%	2.9%
Net NPA	1.6%	1.9%	1.7%

Source: Company data, 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	Amount Rated	Amount Outstanding	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
			(Rs. crore)	(Rs. crore)	February 14, 2023	-	-	-
1	INNOVATION TRUST XXVIII SEP 19	PTC Series A	28.56	28.56	[ICRA]AAA(SO)	-	-	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
INNOVATION TRUST XXVIII SEP 19	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: [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 XXVIII SEP 19	PTC Series A	February 2023	8.90%	January 2057	28.56	[ICRA]AAA(SO)

^{*} Expected maturity at transaction initiation; may change on account of prepayment and yield change

[^] Coupon rate is floating and linked to investor's one-year MCLR

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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About ICRA Limited:

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