December 19, 2023

Indiabulls Housing Finance Limited: Rating reaffirmed for PTCs 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 XXVIII Jun 2017	PTC Series A	329.96	73.07	65.08	[ICRA]AAA(SO); reaffirmed
Innovation Trust XXIX Sept 2017	PTC Series A	609.69	165.58	149.91	[ICRA]AAA(SO); reaffirmed
Innovation Trust XXIX Dec-19	PTC Series A	185.27	48.92	43.30	[ICRA]AAA(SO); reaffirmed
Innovation Trust XXXII Dec-19	Assignee payouts	492.6	194.36	184.98	[ICRA]AAA(SO); reaffirmed
INNOVATION TRUST XXVIII SEP 19	PTC Series A	28.56	NA	24.83	[ICRA]AAA(SO); reaffirmed

**Instrument details are provided in Annexure I*

Rationale

The pass-through certificates (PTCs) and assignee payouts (APs) are backed by five respective pools of mortgage loan receivables originated by Indiabulls Housing Finance Limited {IHFL; rated [ICRA]AA (Stable)}. The receivables have been assigned to the trusts at par and the trusts have issued a single series of PTCs backed by the same. The rating has been reaffirmed on account of the high level of amortisation in the transactions, which has led to the build-up of the credit enhancement cover over the future PTC payouts and APs. The rating draws comfort from the fact that the breakeven collection efficiency is comfortable compared to the actual collection level observed in the pool till the October 2023 payout month.

Pool performance summary

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

Parameter	Innovation Trust XXVIII Jun 2017	Innovation Trust XXIX Sept 2017	Innovation Trust XXIX Dec-19	Innovation Trust XXXII Dec-19	INNOVATION TRUST XXVIII SEP 19
Months post securitisation	75	72	45	45	48^
Pool amortisation	80.28%	75.41%	76.63%	62.39%	77.88%
PTC amortisation	80.28%	75.41%	76.63%	62.39%	77.88%
Cumulative collection efficiency[1]	99.36%	99.47%	100.73%	101.18%	99.10%
Loss-cum-90+ (% of initial pool principal)[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Loss-cum-180+ (% of initial pool principal)[3]	0.00%	0.00%	0.00%	0.00%	0.00%

[1] *Cumulative collections till date / Cumulative billings till date + Opening overdues*
[2] *POS on contracts aged 90+ dpd + Overdues / Initial POS on the pool*
[3] *POS on contracts aged 180+ dpd + Overdues / Initial POS on the pool*

Parameter	Innovation Trust XXVIII Jun 2017	Innovation Trust XXIX Sept 2017	Innovation Trust XXIX Dec-19	Innovation Trust XXXII Dec-19	INNOVATION TRUST XXVIII SEP 19
Breakeven collection efficiency[4]	54.43%	59.73%	55.84%	67.22%	50.71%
Cumulative credit collateral (CC) utilisation (% of initial CC)	0.00%	0.00%	0.00%	0.00%	0.00%
CC available (as % of balance pool principal)	53.53%	38.86%	56.16%	24.01%	54.26%
Excess interest spread (EIS) (as % of balance pool principal)	98.04%	87.70%	59.36%	89.58%	61.48%
Cumulative prepayment rate[5]	67.58%	59.75%	61.24%	58.84%	56.79%

^9 months post rating by ICRA

Key rating drivers

Credit strengths

- High amortisation of PTCs, resulting in the build-up of credit enhancement in the transactions
- Healthy collection performance in the pools; no cash collateral utilisation as on date 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, which leads to interest rate risk in the structure
- Pools' performance would remain exposed to macro-economic shocks/business disruptions, if any

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 October 2023 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[6]. All the pools have reached high amortisation levels in the range of 62-80% after the October 2023 payouts, which has led to considerable credit enhancement build-up for the residual tenor. The delinquencies, i.e. loss-cum-90+ days past due (dpd), are nil as of the September 2023 collection month for all five pools, which is well below the ICRA's loss estimate range.

Overall, the credit enhancement available to meet the balance payouts to the investors (after downward reset in the CC) is sufficient to reaffirm the rating at the current rating level 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 pool and the availability of credit enhancement relative to ICRA's expectations.

Key rating assumptions

ICRA's cashflow 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 considering 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.

[4] *It is the minimum collection efficiency required over the balance tenure to ensure all investor payouts are met: (Balance cashflows payable to investor – Credit collateral available)/ Balance pool cashflows*

[5] *Principal outstanding at the time of prepayment of contracts prepaid till date/Initial pool principal*

[6] *CC reset had been provided to four of the pools at the request of the originator; however, it was not carried out eventually*

After making the aforementioned adjustments, the expected loss and prepayments during the balance tenure of the pool are given in the table below.

Parameter	Expected Loss (% of initial pool principal)	Prepayment
Innovation Trust XXVIII Jun 2017	0.5% - 1.5%	15% - 18% p.a.
Innovation Trust XXIX Sept 2017	0.5% - 1.5%	15% - 18% p.a.
Innovation Trust XXIX Dec-19	0.5% - 1.5%	15% - 18% p.a.
Innovation Trust XXXII Dec-19	1.0% - 2.0%	15% - 18% p.a.
INNOVATION TRUST XXVIII SEP 19	0.5% - 1.5%	15% - 18% p.a.

Liquidity position: Superior

The credit collateral, as a proportion of the balance pool principal amount available in all the transactions, has built up in the range of 24-56% as of the November 2023 payout month. The overall credit enhancement is expected to be highly comfortable to meet the promised payouts to the investors. The cash collateral is adequate to cover 29-54 months of promised payouts due to the investors.

Rating sensitivities

Positive factors – Not applicable

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 utilisation. Weakening in the credit profile of the servicer could also exert pressure on the rating.

Analytical approach

The rating action is based on the performance of the pools till October 2023 (payout month), the present delinquency level analysis of the performance of IHFL's portfolio till June 2023, the performance expected over the balance tenure of the pools and the credit enhancement cover available in the transactions.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

Incorporated in 2005, Indiabulls Housing Finance Limited (IHFL) is a housing finance company registered with National Housing Bank (NHB). It provides housing loans, loan against property (LAP; primarily to micro, small and medium enterprises (MSMEs) and small businesses), developer loans and lease rental discounting (LRD). As on September 30, 2023, IHFL's consolidated assets under management (AUM) stood at Rs. 63,569 crore (Rs. 72,299 crore as on September 30, 2022), comprising housing loans (72%), LAP (15%) and commercial credit (13%). The company has a pan-India presence with 5,423 employees across 221 branches as on September 30, 2023 compared to 5,300 employees and 217 branches as on March 31, 2023. The erstwhile promoter – Mr. Sameer Gehlaut, had sold his majority stake in IHFL in December 2021 and resigned from the board in March 2022. He was reclassified as a public shareholder, post receipt of approval from the stock exchanges. In FY2023, the company reported a consolidated profit after tax (PAT) of Rs. 1,128 crore on total income of Rs. 8,726 crore compared with Rs. 1,178 crore and Rs. 8,994 crore, respectively, in FY2022.

Key financial indicators (audited; consolidated)

Particulars	FY2021	FY2022	FY2023	H1 FY2024
Total income	10,030	8,994	8,726	4,158
Profit after tax	1,202	1,178	1,128	594
Assets under management	80,741	72,211	67,210	63,569
Gross non-performing assets (NPA)	2.7%	3.2%	2.9%	2.9%
Net NPA	1.6%	1.9%	1.9%	1.7%

Source: Company data, ICRA Research; 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 (FY2024)				Chronology of Rating History for the Past 3 Years			
		Instrument	Initial amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021
					Dec 19, 2023	Dec 16, 2022	Sep 29, 2022	Sep 27, 2021	Sep 28, 2020
1	Innovation Trust XXVIII Jun 2017	PTC Series A	329.96	65.08	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)

	Trust Name	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years			
		Instrument	Initial amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021
					Dec 19, 2023	Dec 16, 2022	Sep 29, 2022	Sep 27, 2021	Sep 28, 2020
2	Innovation Trust XXIX Sept 2017	PTC Series A	609.69	149.91	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)

	Trust Name	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years			
		Instrument	Initial amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021
					Dec 19, 2023	Dec 16, 2022	Sep 29, 2022	Sep 27, 2021	Sep 28, 2020
3	Innovation Trust XXIX Dec-19	PTC Series A	185.27	43.30	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)

	Trust Name	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years				
		Instrument	Initial amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021	
					Dec 19, 2023	Dec 16, 2022	Sep 29, 2022	Sep 27, 2021	Sep 28, 2020	Apr 24, 2020
4	Innovation Trust XXXII Dec-19	Assignee payouts	492.60	184.98	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AA+(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)

	Trust Name	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years		
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					Dec 19, 2023	Feb 14, 2023	-	-
5	INNOVATION TRUST XXVIII SEP 19	PTC Series A	28.56	28.56	[ICRA]AAA(SO)	[ICRA]AAA(SO)	-	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
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
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 I: Instrument details

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate^	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Innovation Trust XXVIII Jun 2017	PTC Series A	June 2017	8.36%	January 2046	65.08	[ICRA]AAA(SO)
Innovation Trust XXIX Sept 2017	PTC Series A	September 2017	8.36%	April 2049	149.91	[ICRA]AAA(SO)
Innovation Trust XXIX Dec-19	PTC Series A	December 2019	9.15%	December 2039	43.30	[ICRA]AAA(SO)
Innovation Trust XXXII Dec-19	Assignee payouts	December 2019	9.25%	December 2049	184.98	[ICRA]AAA(SO)
INNOVATION TRUST XXVIII SEP 19	PTC Series A	February 2023	9.15%	January 2057	24.83	[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 MCLR
Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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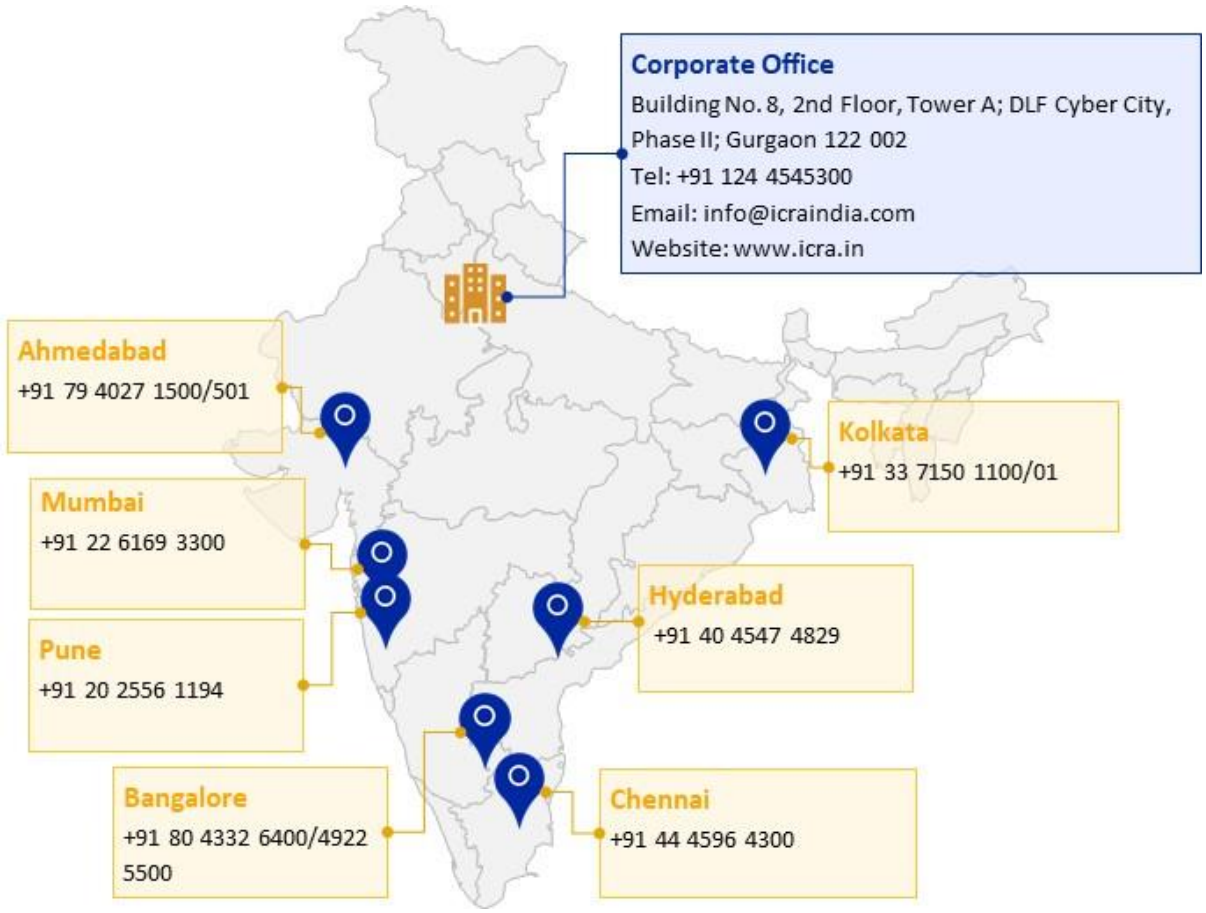

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