Reliance Home Finance Limited

January 25, 2019

Summary of rated instruments

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
Indian Receivable Trust 2019 Series 1	PTC Series A	139.94	Provisional [ICRA]AAA(SO) assigned

**Instrument details are provided in Annexure-1*

Rating action

ICRA has assigned Provisional [ICRA]AAA(SO) ratings to PTC Series A, under a securitisation transaction originated by Reliance Home Finance Limited (RHFL). The PTCs are backed by receivables from a Rs. 139.94 crore pool of housing loans.

Rationale

The provisional ratings are based on the strength of cash flows from the selected pool of contracts, RHFL's track record in the mortgage loans business, the available credit enhancement in the form of credit collateral and subordination of Excess Interest Spread (EIS), and the integrity of the legal structure. The ratings are subject to fulfilment of all conditions under the structure and the review of documentation pertaining to the transaction by ICRA.

Key rating drivers

Credit Strengths

- Availability of credit enhancement in the form of Excess Interest Spread (EIS) and Credit Collateral;
- Pool is devoid of any delinquent contracts as on the pool cut-off date;
- High share of Residential property contracts accounting for ~95.9 of the overall pool principal amount.

Credit Weakness

- High geographical concentration with top state (Gujarat) accounting for ~45.9% of overall pool;
- High Share of self-employed contracts accounting for ~69.2% of the overall pool principal amount;
- Share of contracts with LTV greater than 75% is high at ~33.8%.

Description of key rating drivers highlighted above:

According to the transaction structure, the loan pool receivables will be transferred "at par" to a Special Purpose Vehicle (SPV) and the Trust will issue a single series of PTCs, backed by the same. The first line of support for meeting scheduled PTC payouts is the subordination of EIS in the structure (amounting to around 6.5% of the pool principal amount). Further credit support in the transaction is available through a Credit Collateral (CC) of 13.50% of the pool principal amount. The Credit Collateral will be in the form of a Fixed Deposit (FD) with a bank that is acceptable to ICRA.

The pool consists entirely of variable rate home loans given to individual borrowers. The pool is characterised by moderate seasoning (average seasoning of around 13.8 months). The pool does not have any overdue contracts as on the pool cut-off date. The pool has an average LTV of around 62.9%, however nearly 33.8% of the pool contracts have LTV of greater than 75%. The share of self-employed borrowers in the pool is high at around 69.2%. This borrower category is perceived to be riskier as compared to salaried class borrowers. Around 95.9% of the pool consists of loans backed by residential properties. The obligor concentration in the current pool is moderate with the top 10 obligors together accounting for around 7.7% of the pool principal. There is high geographical concentration observed in the pool, with contracts originated in Gujarat accounting for around 45.9% of the pool

Performance of past rated pools: ICRA has rated 13 pools originated by RHFL and all 13 pools are live as on 31st December 2018. The performance of the transactions is characterised by high cumulative collection ratios of above 99% and negligible delinquency levels of sub 1% at a Loss cum 90+ dpd level as on Dec-18 payout month.

Key Rating Assumptions

ICRA's cash flow modelling for rating of MBS transactions involves simulation of potential delinquencies, losses (shortfall in principal collection during the tenor of the pool) and prepayments in the pool. The assumptions for loss and the Co-efficient of Variation (CoV) are arrived at after taking into account the past performance of the Originator's portfolio and rated pools, and also the characteristics of the specific pool being evaluated. Additionally, the assumptions may be adjusted to factor the current operating environment and any industry specific factors that ICRA believes could impact the performance of the underlying pool contracts.
After making the aforementioned adjustments, the expected mean shortfall in principal collection during the tenure of the pool is given in the table below.

Sr. No	Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
1	Indian Receivable Trust 2019 Series 1	3.0%-4.0%	12%-24% p.a.

Liquidity Position

There is credit collateral (cash reserve) available in the transaction amounting to 13.50% of the pool principal amount. Assuming even 50% monthly collection efficiency in the underlying pool contracts in a stress scenario, the credit collateral would cover 27 months of PTC payouts in full.

Analytical approach

The rating action is based on the analysis of the past performance of RHFL's portfolio and previously rated ICRA pools, key characteristics and composition of the current pool, 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:

Reliance Home Finance Limited (RHFL), a subsidiary of Reliance Capital Limited (RCL), was incorporated in FY2008. Registered as a Housing Finance Company with the National Housing Bank, RHFL is engaged in mortgaged 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 this RCL's stake in the entity reduced to ~48%, while the overall promoter holding in the entity was ~75% as on December 31, 2017.

Since commencing business operations in July 2009, majority of incremental housing loans (HL) are booked on RHFL while the majority of incremental Loan Against Property (LAP) accounts are booked on RCL. RHFL reported a profit before tax of Rs. 172 crore in H1 FY2019 on a total income of Rs. 921 crore compared to a profit before tax of Rs. 127 crore on a total income of Rs. 932 crore in H1 FY2018.

The short-term debt of RHFL has a rating outstanding of [ICRA]A1+ from ICRA.

Key financial indicators

RHFL (Standalone)	FY2016	FY2017	FY2018
Net Operating Income	132	142	296
Profit after tax	87	173	181
Networth	620	1,130	1,929
Loan Book (AUM)	7,357	11,174	16,379
Total assets	7,694	11,305	15,684
Return on assets	1.31%	1.82%	1.34%
Return on equity	15.04%	19.73%	11.81%
Gross NPA	0.97%	0.84%	0.87%
Net NPA	0.74%	0.58%	0.67%
Capital adequacy ratio	16.3%	19.3%	19.8%
Gearing	10.61	8.68	6.90

Amounts in Rs. crore, ratios as per ICRA calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

S.No	Instrument	Current Rating (FY2019)				Chronology of Rating History for the past 3 years	
		Type	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating in FY2019 January 2019	Date & Rating in FY2018	Date & Rating in FY2017
1	Indian Receivable Trust 2019 Series 1	PTC Series A	139.94	139.94	Provisional [ICRA]AAA(SO)	N. A.	N. A.

Complexity level of the rated instrument: Highly Complex

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure I

Detail of Instruments

Trust Name	Instrument Name	Date of Issuance	Coupon Rate#	Scheduled Maturity Date	Amount Rated (Rs. crore[1])	Current Rating
Indian Receivable Trust 2019 Series 1	PTC Series A	January 2019	Floating; Linked to 1 year MCLR of investor	January 2043	139.94	Provisional [ICRA]AAA(SO)

 # per annum payable monthly

[1] *100 lakh = 1 crore = 10 million*

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About ICRA Limited:

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