Reliance Home Finance Limited

February 21, 2019

Summary of Rated Instruments

Trust Name	Instrument	Initial Amount (Rs. crore[1])	Rated Amount (Rs. crore)	Rating action
Indian Receivable Trust 2018 Series 3	PTC Series A	272.84	272.84	Provisional rating of [ICRA]AAA(SO) confirmed as final

**Instrument details are provided in Annexure I*

Rating Action

ICRA has confirmed the provisional ratings assigned to PTCs issued by Indian Receivable Trust 2018 Series 3 trust as final, as tabulated above.

Rationale

In October 2018, ICRA had assigned Provisional [ICRA]AAA(SO) rating to PTC Series A1, issued by Indian Receivable Trust 2018 Series 3 trust. Since the executed transaction documents are in line with the rating conditions, and the legal opinion for the transaction have been provided to ICRA, the said ratings have now been confirmed as final.

Key rating drivers

Credit Strengths

- Availability of credit enhancement in the form of EIS and Credit Collateral;
- Pool is devoid of any delinquent contracts as on the pool cut-off date;
- Low obligor concentration with the top 10 obligors together accounting for only ~1.0% of the overall pool principal amount;
- Moderate seasoning profile of the pool contract with average seasoning of ~19.5 months;

Credit challenges

- High geographical concentration with top state (Gujarat) accounting for ~73% of overall pool.
- Moderately high share of contracts with high LTV in the current pool, with average LTV of ~75%.

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

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

PTC payouts is the subordination of EIS in the structure (amounting to around 4% of the pool principal amount). Further credit support in the transaction is available through a Credit Collateral (CC) of 14.00% 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 19.5 months). The pool does not have any overdue contracts as on the pool cut-off date. The pool has an average LTV of around 75.5%. The obligor concentration in the current pool is low with the top 10 obligors together accounting for around 1.00% of the pool principal.

Key rating assumptions

ICRA's cash flow modelling for rating of ABS 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 2018 Series 3	3.0%-4.0%	12%-24% p.a.

Liquidity Position:

There is credit collateral (cash reserve) available in the transaction amounting to 14.00% 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 28 months of PTC payouts in full.

Performance of past rated pools: ICRA has rated 13 mortgage loan pools originated by RCL/RHFL till date. 3 of these transactions have not completed more than 2 payouts till date. All the remaining 10 live pools have performed well with collection efficiency of more than 99% and negligible/ low loss-cum-180+ dpd levels till Jan-19 payout month.

Analytical approach:

The rating action is based on the trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

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

About the Originator:

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: Not Applicable

Rating history for last three years:

S.No	Name of Instrument	Current Rating				Chronology of Rating History for the past 3 years			
		Type	Initial Amount Rated (Rs. Crores)	Amount Outstanding (Rs. Crores)	Month-year & Rating Feb 2019	Month-year & Rating Oct 2018	Month-year & Rating in FY2018	Month-year & Rating in FY2017	Month-year & Rating in FY2016
1	Indian Receivable Trust 2018 Series 3	PTC Series A	272.84	272.84	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-	-

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-1: Instrument Details

Sl.	Trust Name	Instrument	Date of Issuance	Coupon Rate#	Scheduled Maturity Date*	Rated Amount (Rs. crore[2])	Current Rating
1	Indian Receivable Trust 2018 Series 3	PTC Series A	Oct 2018	10.05%*	Jun 2041	272.84	[ICRA]AAA(SO)

 # per annum payable monthly

**Floating; Linked to 1 year MCLR of investor*

[2] *100 lakh = 1 crore = 10 million*

Analyst Contacts

Vibhor Mittal
+91 22 6114 3440
vibhorm@icraindia.com

Abhijeet Ajinkya
+91 22 6114 3434
abhijeet.ajinkya@icraindia.com

Satchit Sawant
+91 22 6114 3435
satchit.sawant@icraindia.com

Himanshi Doshi
+91 22 6114 3410
Himanshi.doshi@icraindia.com

Karan Pednekar
+91 22 6114 3433
karanp@icraindia.com

Relationship Contact:

L Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

For more information, visit www.icra.in

ICRA Limited

Corporate Office
Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002
Tel: +91 124 4545300
Email: info@icraindia.com
Website: www.icra.in

Registered Office
1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001
Tel: +91 11 23357940-50

Branches

Mumbai	+ (91 22) 24331046/53/62/74/86/87
Chennai	+ (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
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