Reliance Home Finance Limited

April 03, 2019

Summary of rated instruments

Trust Name	Instrument	Initial Amount (Rs. crore[1])	Amount outstanding after previous rating exercise (Rs. crore)	Amount after Feb-19 payout (Rs. crore)	Rating
Indian Receivable Trust 9	PTC Series A	50.08	10.19	9.93	[ICRA]AA(SO)&; Downgraded from [ICRA]AAA(SO)&
RHF Indian Receivable Trust I 2016	PTC Series A	80.46	40.65	39.87	[ICRA]AA(SO)&; Downgraded from [ICRA]AAA(SO)&
RHF Indian Receivable Trust 2 2017	PTC Series A	85.50	52.38	51.06	[ICRA]AA(SO)&; Downgraded from [ICRA]AAA(SO)&
RHF Indian Receivable Trust 3 2017	PTC Series A	98.74	60.03	59.63	[ICRA]AA(SO)&; Downgraded from [ICRA]AAA(SO)&
Indian Receivable Trust 2018 Series 3	PTC Series A	272.84	254.28	247.33	[ICRA]AA(SO)&; Downgraded from [ICRA]AAA(SO)&
Indian Receivable Trust 2018 Series 4	PTC Series A	267.58	253.37	247.16	[ICRA]AA(SO)&; Downgraded from [ICRA]AAA(SO)&
Indian Receivable Trust 2018 Series 7	PTC Series A	120.15	118.31	116.26	[ICRA]AA(SO)&; Downgraded from [ICRA]AAA(SO)&
Indian Receivable Trust 2019 Series 1	PTC Series A	139.94	139.94	138.86	Provisional [ICRA]AA(SO)&; Downgraded from Provisional [ICRA]AAA(SO)&
Indian Receivable Trust 2019 Series 2	PTC Series A	63.31	63.31	62.14	Provisional [ICRA]AA(SO)&; Downgraded from Provisional [ICRA]AAA(SO)&
Indian Receivable Trust 5	PTC Series A	65.50	3.62	3.03	[ICRA]AAA(SO)& outstanding
Indian Receivable Trust 2018 Series 1	PTC Series A	868.45	785.99	755.46	[ICRA]AA(SO)& outstanding
Indian Receivable Trust 2018 Series 2	PTC Series A	634.20	590.62	576.87	[ICRA]AA(SO)& outstanding

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

&: The symbol implies that the ratings are under watch with developing implications

Rating

ICRA has downgraded ratings for PTCs issued under nine mortgage loan securitisation transactions originated by Reliance Home Finance Limited (RHFL), as tabulated above. The ratings, after downgrade, continue to be on 'Watch with Developing Implications' for these transactions.

ICRA also has ratings outstanding on PTCs issued under three other mortgage loan securitisation transactions originated by RHFL, as mentioned in the table above. These ratings continue to be on 'Watch with Developing Implications'.

Rationale

The rating downgrade of the PTCs in the nine transactions follows the recent rating action taken by ICRA on the Servicer in these transactions, namely RHFL. ICRA has revised the rating on the commercial paper programme of RHFL from [ICRA]A1 'Watch with Negative Implications' to [ICRA]A2 'Watch with Negative Implications'. (Click here to view the rationale). In one of these transactions – Indian Receivable Trust 5 – the cash collateral available in the transaction fully covers the balance PTC payouts.

ICRA notes that performance of the rated pools has been strong evidenced by healthy collection efficiency and low delinquency levels. The pools comprise of receivables from housing loans (HL) and loan against property (LAP) contracts. The receivables have been assigned to the respective trusts at par and each trust has issued one series of PTCs backed by the same.

While the pool receivables are 'bankruptcy remote' from the Originator post assignment to the Trust, RHFL continues to be the servicer in these transactions with no back-up servicing arrangement being in place. A sustained deterioration in the credit profile of the servicer could have an impact on its operations and thus its servicing ability. This in turn could adversely impact the collection performance of the underlying pools, which has remained strong thus far.

Pool Performance Summary

A summary of the performance of the pools till February 2019 payout month has been tabulated below.

Parameter	IRT 5	IRT 9	RHF IRT I	RHF IRT 2	RHF IRT 3	IRT 2018 1
Months post securitization	72	66	29	23	23	4
Pool Amortisation	81.4%	80.2%	50.5%	40.3%	39.6%	13.1%
Cumulative Collection Efficiency[2]	99.9%	99.9%	99.6%	99.6%	99.6%	99.9%
Loss cum 90+ dpd[3] (% of initial Pool Principal)	0.2%	0.1%	0.5%	0.4%	0.3%	0.0%
Loss cum 180+ dpd[4] (% of initial Pool Principal)	0.0%	0.0%	0.3%	0.4%	0.2%	0.0%
Cash Collateral Utilization (% of initial cash collateral)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash Collateral (% of Balance Pool Principal)	54.81%	53.0%	18.2%	14.2%	17.0%	13.8%
Cash Collateral (% of Balance PTC Principal)	>100%	53.0%	18.2%	14.2%	17.0%	13.8%

[2] *(Cumulative Collections till date)/ (Cumulative Billings till date + Opening Overdues at the start of the transaction)*
[3] *(Unbilled and Overdue Principal portion of contracts delinquent by more than 90 days + Crystallised loss, if any)/ (Initial Pool Principal)*
[4] *(Unbilled and Overdue Principal portion of contracts delinquent by more than 180 days + Crystallised loss, if any)/ (Initial Pool Principal)*

Parameter	IRT 2018 2	IRT 2018 3	IRT 2018 4	IRT 2018 7	IRT 2019 1	IRT 2019 2
Months post securitization	4	4	3	2	1	1
Pool Amortisation	9.0%	6.8%	7.6%	3.2%	0.8%	1.8%
Cumulative Collection Efficiency	99.5%	99.5%	99.5%	98.9%	99.7%	100.0%
Loss cum 90+ dpd (% of initial Pool)	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
Loss cum 180+ dpd (% of initial Pool)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash Collateral Utilization (% of initial cash collateral)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash Collateral (% of Balance Pool Principal)	9.7%	15.4%	14.5%	13.7%	13.6%	17.2%
Cash Collateral (% of Balance PTC Principal)	9.7%	15.4%	14.5%	13.7%	13.6%	17.2%

Key rating drivers

Credit strengths

- Strong collection performance seen in all the pools till February 2019 (payout month);
- High amortisation of one of the pools leading to PTC payouts being fully covered by the outstanding cash collateral
- No cash collateral utilization in any of the pools till date owing to strong collection efficiency and availability of Excess Interest Spread in these transactions.

Credit weaknesses

- Weakened credit profile of the servicer.

Description of key rating drivers highlighted above:

The performance of the pools has been strong with cumulative collection efficiency of more than 99% after meeting February 2019 payouts. Any shortfall in the collections has been absorbed by the EIS in the structure and there has not been Cash Collateral (CC) utilisation in any of the transactions till date. The five pools that have amortised by more than 35% have seen some build-up in credit enhancement cover over the balance life of these transactions. However, the remaining seven pools were rated in H2 FY2019 and have seen limited performance till date.

Despite the strong collection performance of the pools, the ratings for PTCs issued nine transactions have been downgraded and ratings for all PTCs continue on ‘Watch with Developing implications’ due to the deterioration in the credit profile of the Servicer, a proxy for its operational strength.

Servicer is the most important counterparty in any securitisation transaction. A significant deterioration in the credit profile of the Servicer could adversely impact its operations. In the absence of an alternate servicer, such an impact on the servicer’s operational capability could translate into weakened collection performance of the pools. Given the importance of the Servicer’s role in any securitisation transaction, the servicer’s credit rating—as a proxy indicator of its operational strength—is an important input for ICRA’s rating for securitisation transactions. Thus, notwithstanding the bankruptcy-remote nature of such transactions, ICRA ratings for PTCs are not entirely delinked from the Servicer’s stand-alone rating.

ICRA will continue to monitor the performance of these transactions closely. Any further rating action will be based on the performance of the pools, servicer’s credit profile and the availability of credit enhancement relative to ICRA’s expectations.

Key rating assumptions

N.A.

Liquidity Position

Liquidity is available in all the securitisation transactions due to the presence of cash collateral (fixed deposit lien marked in favour of the trustee with a bank acceptable to ICRA).

Analytical approach:

The rating actions are based on the performance of the pools till February 2019 (payout month), the present delinquency profile of the pool contracts, performance expected over the balance pool tenure, credit profile of the servicer, and the credit enhancement available in these transactions.

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) is a subsidiary of Reliance Capital Limited (RCL) and was incorporated in FY2009. RHFL is registered as a Housing Finance Company with National Housing Bank and 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, basis which RCL's stake in the entity reduced to ~48%, while the overall promoter holding in the entity was ~75% as on December 31, 2018.

RHFL reported net profit after tax of Rs. 123 crore on a total income base of Rs. 875 crore in H1FY2019 compared to net profit of Rs. 181 crore on a total income base of Rs. 1671 crore in FY2018. In FYFY2017, the company had reported a net profit of Rs. 173 crore on a total income of Rs. 1145 crore.

The short-term debt of RHFL has a rating outstanding of [ICRA]A2@ 'Watch with Negative Implications'.

Key financial indicators

RHFL (Standalone)	FY2016	FY2017	H1 FY2019*
Total Income	1,144.68	1,670.52	875.00
Profit after tax	172.59	180.58	123.00
Networth	1129.60	1929.13	1880.00
Loan Book (AUM)	11,174	16379	16464.00
Total assets	11346.65	15684	16305
Return on assets	1.81%	1.34%	1.54%
Return on equity	19.73%	11.81%	12.92%
Gross NPA	0.84%	0.87%	0.8%
Net NPA	0.68%	0.67%	0.58%
Capital adequacy ratio	19.3%	19.7%	19.4%
Gearing	8.67	6.90	7.20

Amounts in Rs. crore, ratios as per ICRA calculations

**Annualised*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

S. No.	Trust	Current Rating (FY2019)				Chronology of Rating History for the past 3 years			
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating in FY2020 April 2019	Date & Rating in FY2019 Feb 2019	Date & Rating in FY2019 Nov 2018	Date & Rating in FY2018 Oct 2017	Date & Rating in FY2017 Sep 2016
1	Indian Receivable Trust 9	PTC Series A	50.08	9.93	[ICRA]AA (SO)&	[ICRA]AAA (SO)&	[ICRA] AAA(SO)	[ICRA] AAA(SO)	[ICRA] AAA(SO)

&: The symbol implies that the ratings are under watch with developing implications

S. No.	Trust	Current Rating (FY2019)				Chronology of Rating History for the past 3 years			
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating in FY2020 April 2019	Date & Rating in FY2019 Feb 2019	Date & Rating in FY2019 Nov 2018	Date & Rating in FY2018 Oct 2017	Date & Rating in FY2017 Nov 2016
2	RHF Indian Receivable Trust I 2016	PTC Series A	80.46	39.87	[ICRA]AA (SO)&	[ICRA]AAA (SO)&	[ICRA] AAA(SO)	[ICRA] AAA(SO)	[ICRA] AAA(SO)

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S. No.	Trust	Current Rating (FY2019)				Chronology of Rating History for the past 3 years			
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating in FY2020 April 2019	Date & Rating in FY2019 Feb 2019	Date & Rating in FY2019 Nov 2018	Date & Rating in FY2018 Oct 2017	Date & Rating in FY2018 Apr 2017
3	RHF Indian Receivable Trust 2 2017	PTC Series A	85.50	51.06	[ICRA]AA (SO)&	[ICRA]AAA (SO)&	[ICRA] AAA(SO)	[ICRA] AAA(SO)	[ICRA] AAA(SO)

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S. No.	Trust	Current Rating (FY2019) Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating in FY2020 April 2019	Chronology of Rating History for the past 3 years: Date & Rating in FY2019 Feb 2019	Date & Rating in FY2019 Nov 2018	Date & Rating in FY2018 Oct 2017	Date & Rating in FY2018 Apr 2017
4	RHF Indian Receivable Trust 3 2017	PTC Series A	98.74	59.63	[ICRA]AA (SO)&	[ICRA]AAA (SO)&	[ICRA] AAA(SO)	[ICRA] AAA(SO)	[ICRA] AAA(SO)

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S. No.	Trust	Current Rating (FY2019) Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating in FY2020 April 2019	Chronology of Rating History for the past 3 years: Date & Rating in FY2019 Feb 2019	Date & Rating in FY2019 Feb 2019	Date & Rating in FY2019 Oct 2018
5	Indian Receivable Trust 2018 Series 3	PTC Series A	272.84	247.33	[ICRA]AA (SO)&	[ICRA]AAA (SO)&	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)

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S. No.	Trust	Current Rating (FY2019) Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating in FY2020 April 2019	Chronology of Rating History for the past 3 years: Date & Rating in FY2019 Feb 2019	Date & Rating in FY2019 Feb 2019	Date & Rating in FY2019 Nov 2018
6	Indian Receivable Trust 2018 Series 4	PTC Series A	267.58	247.16	[ICRA]AA (SO)&	[ICRA]AAA (SO)&	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)

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S. No.	Trust	Current Rating (FY2019)				Chronology of Rating History for the past 3 years		
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2019	Date & Rating in FY2019
					April 2019	Feb 2019	Feb 2019	Dec 2018
7	Indian Receivable Trust 2018 Series 7	PTC Series A	120.15	116.26	[ICRA]AA (SO)&	[ICRA]AAA (SO)&	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)

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S. No.	Trust	Current Rating (FY2019)				Chronology of Rating History for the past 3 years		
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2019	Date & Rating in FY2018
					April 2019	Feb 2019	Jan 2019	
8	Indian Receivable Trust 2019 Series 1	PTC Series A	139.94	138.86	Provisional [ICRA]AA (SO)&	Provisional [ICRA]AAA (SO)&	Provisional [ICRA]AAA(SO)	N.A.

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S. No.	Trust	Current Rating (FY2019)				Chronology of Rating History for the past 3 years		
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2019	Date & Rating in FY2018
					April 2019	Feb 2019	Jan 2019	
9	Indian Receivable Trust 2019 Series 2	PTC Series A	63.31	62.14	Provisional [ICRA]AA (SO)&	Provisional [ICRA]AAA (SO)&	Provisional [ICRA]AAA(SO)	N.A.

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S. No.	Trust	Current Rating (FY2019)			Chronology of Rating History for the past 3 years				
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating in FY2020 April 2019	Date & Rating in FY2019 February 2019	Date & Rating in FY2019 Nov 2018	Date & Rating in FY2018 Oct 2017	Date & Rating in FY2017 Sep 2016
10	Indian Receivable Trust 5	PTC Series A	65.50	3.03	[ICRA]AAA (SO) &	[ICRA]AAA (SO)&	[ICRA] AAA(SO)	[ICRA] AAA(SO)	[ICRA] AAA(SO)

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S. No.	Trust	Current Rating (FY2019)				Chronology of Rating History for the past 3 years		
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating in FY2020 April 2019	Date & Rating in FY2019 Feb 2019	Date & Rating in FY2019 Feb 2019	Date & Rating in FY2019 Nov 2018
11	Indian Receivable Trust 2018 Series 1	PTC Series A	868.45	755.46	[ICRA]AA (SO)&	[ICRA]AA (SO)&	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)

&: The symbol implies that the ratings are under watch with developing implications

S. No.	Trust	Current Rating (FY2019)				Chronology of Rating History for the past 3 years		
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating in FY2020 April 2019	Date & Rating in FY2019 Feb 2019	Date & Rating in FY2019 Feb 2019	Date & Rating in FY2019 Nov 2018
12	Indian Receivable Trust 2018 Series 2	PTC Series A	634.20	576.87	[ICRA]AA (SO)&	[ICRA]AA (SO)&	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)

&: The symbol implies that the ratings are under watch with developing implications

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	Date of Issuance	Current Coupon Rate#	Scheduled Maturity Date*	Amount Rated (Rs. crore)	Rating outstanding
Indian Receivable Trust 9	PTC Series A	Aug 2013	8.45%	Dec 2037	9.93	[ICRA]AA(SO)&
RHF Indian Receivable Trust I 2016	PTC Series A	Sep 2016	7.65%	Aug 2038	39.87	[ICRA]AA(SO)&
RHF Indian Receivable Trust 2 2017	PTC Series A	Mar 2017	7.40%	Jan 2039	51.06	[ICRA]AA(SO)&
RHF Indian Receivable Trust 3 2017	PTC Series A	Mar 2017	7.30% (Fixed)	Mar 2041	59.63	[ICRA]AA(SO)&
Indian Receivable Trust 2018 Series 3	PTC Series A	Oct 2018	10.05%	Jun 2041	247.33	[ICRA]AA(SO)&
Indian Receivable Trust 2018 Series 4	PTC Series A	Nov 2018	10.00%	Oct 2042	247.16	[ICRA]AA(SO)&
Indian Receivable Trust 2018 Series 7	PTC Series A	Dec 2018	10.00%	Nov 2043	116.26	[ICRA]AA(SO)&
Indian Receivable Trust 2019 Series 1	PTC Series A	Jan 2019	10.00%	Jan 2043	138.86	Provisional [ICRA]AA(SO)&
Indian Receivable Trust 2019 Series 2	PTC Series A	Jan 2019	10.00%	May 2043	62.14	Provisional [ICRA]AA(SO)&
Indian Receivable Trust 5	PTC Series A	Mar 2013	8.95%	Sep 2036	3.03	[ICRA]AAA(SO)&
Indian Receivable Trust 2018 Series 1	PTC Series A	Nov 2018	10.15%	Aug 2043	755.46	[ICRA]AA(SO)&
Indian Receivable Trust 2018 Series 2	PTC Series A	Nov 2018	9.10%	Aug 2043	576.87	[ICRA]AA(SO)&

 # variable; subject to change owing to change in benchmark rate

** Scheduled maturity at transaction initiation; may change on account of prepayment and yield change*

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About ICRA Limited:

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