February 25, 2020

Indiabulls Housing Finance Limited: Ratings confirmed for PTC issued under Innovation Trust XXIX Dec-19, as final

Summary of rating action

Issue Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Innovation Trust XXIX Dec-19	PTC Series A	185.27	Provisional [ICRA]AAA(SO), Confirmed as final

**Instrument details are provided in Annexure-1*

Rationale

ICRA has confirmed the provisional rating to pass through certificate (PTC) issued under Innovation Trust XXIX Dec-19 as final, as tabulated above. The PTC is backed by a Rs. 185.27-crore (principal outstanding) pool of home loan contracts originated by Indiabulls Housing Finance Limited (IBHFL).

In December 2019, ICRA had assigned Provisional [ICRA]AAA(SO)) rating to PTC, issued under Innovation Trust XXIX Dec-19 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 rating have now been confirmed as final.

Key rating drivers

Credit strengths

- Availability of credit enhancement in the form of EIS and CC
- No overdue contracts in the pool
- Loans in the pool have moderately low loan-to-value (LTV); weighted average LTV of 57.23%
- Selected pool characterised by moderately high seasoning of 22.37 months
- Pool is made up of low ticket size loans (nil share of contracts with ticket size of >Rs. 1 crore) with average loan ticket size of around Rs. 16.60 lakh

Credit challenges

- Moderate share (68%) of salaried employed borrowers

Description of key rating drivers highlighted above

According to the transaction structure, the loan pool receivables will be assigned at par to the PTC Series A investors. The first line of support for meeting the scheduled investor payouts is the EIS of 16.87% in the structure, which is subordinated. A CC of 10.00% of the initial pool principal provided by IBHFL acts as further credit enhancement in the transaction.

The scheduled cash flow promised to the investor on each payout date includes 100% of the monthly billed principal on the pool and interest at the contracted yield. The pool amortisation schedule and thus the promised payouts to the investors are subject to modification on account of prepayments.

The pool is characterised by a low obligor concentration with the top 10 obligors together accounting for only 3.75% of the overall pool principal amount. There are no overdue contracts in the pool as on the pool cut-off date. The selected pool consists of receivables from loans given at a moderately low LTV (average LTV of 57.2%). The selected pool consists of low ticket size loans with an average loan ticket size of around Rs. 16.60 lakh. Further, there are no contracts in the pool with a balance tenure of more than 20 years. The average seasoning and pre-securitisation of the pool are also moderately high at 22.37 months and 14.89%, respectively.

However, 32% of the contracts in the pool are given to self-employed borrowers who have performed weaker in the portfolio.

Past rated pool performance: In the past, ICRA has rated one home loan (HL) pool and two HL/loan against property (LAP) mixed IBHFL originated pools. The pools have performed well with a collection efficiency of more than 99% and negligible loss-cum-90+ dpd level till the collection month of September 2019. Given the significant quantum of EIS in all the pools, the cumulative CC utilisation after the October 2019 payouts was nil for all the pools.

Key rating assumptions

ICRA's cash flow modelling for the surveillance of MBS (Mortgage Backed Securities) 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 coefficient of variation (CoV) are arrived at after taking into account the past performance of the Originator's portfolio and rated pools as well as 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 contracts.

After making these adjustments, the expected mean shortfall in principal collection during the tenure of the pool is estimated to be 2.50-3.50%, with certain variability around it. The prepayment rate for the underlying pool is estimated to be in the range of 12.0-18.0% per annum.

Liquidity position: Superior

The cash collections and credit collateral available in the transaction are expected to be highly comfortable to meet the investor payouts. Assuming a monthly collection efficiency of even 50% in the underlying pool contracts in a stress scenario, the recommended credit collateral would cover the shortfalls in the PTC payouts for a period of 17 months.

Rating sensitivities

Positive triggers – Not applicable

Negative triggers – The rating could be downgraded on the sustained weak collection performance of the underlying pool (monthly collection efficiency of <90%) leading to higher-than-expected delinquency levels and credit enhancement (CE) utilisation levels.

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 company

Incorporated in 2005, IBHFL is a housing finance company registered with National Housing Bank. In March 2013, the parent company, Indiabulls Financial Services Limited, merged with IBHFL. The company provides mortgage loans, lease rental discounting (LRD) and construction finance with a prime focus on the mortgage and home finance business. As on June 30, 2019, the company's assets under management (AUM) stood at Rs. 1,13,189 crore.

On a consolidated basis, IBHFL reported a net profit of Rs. 4,091 crore on a total income base of Rs. 16,387 crore in FY2019 compared to a net profit of Rs. 3,895 crore on a total income base of Rs. 14,663 crore in FY2018. In Q1 FY2020, the company reported a net profit of Rs. 802 crore on a total income base of Rs. 3,886 crore. IBHFL had a tangible net worth of Rs. 16,854 crore and a CRAR of 27.8% as on June 30, 2019.

Key financial indicators of IBHFL (consolidated)

	FY2018 Ind AS	FY2019 Ind AS
Net interest income*	4,483	5,128
Profit before tax	4,900	5,634
Profit after tax	3,895	4,091
Assets under management	1,22,233	1,20,525
Total assets	1,34,283	1,31,068
%Tier 1	15.07%	19.81%
% CRAR	20.82%	26.49%
Net gearing (times)	6.76	4.67
% Net profit/Average total assets	3.27%	3.08%
% Return on net worth	29.56%	26.61%
% Gross NPAs (% of AUM)	0.77%	0.88%
% Net NPAs (% of AUM)	0.34%	0.69%
% Net NPA/Net worth	4.98%	5.07%

Source: IBHFL and ICRA research; Amount in Rs. crore; All ratios are as per ICRA calculations

**Net interest income is calculated as the sum of interest income from financing activities and fixed deposits and other operating charges less interest expenses*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

Sr. No.	Instrument	Current Rating (FY2020)					Rating History for the Past 3 Years		
		Type	Amount Rated	Amount Outstanding	Date & Rating		Date & Rating in FY2019	Date & Rating in FY2018	Date & Rating in FY2017
					25-Feb-20	24-Dec-19	-	-	-
1	Innovation Trust XXIX Dec-19	PTC Series A	185.27	185.27	[ICRA]AAA(SO)*	Provisional [ICRA]AAA(SO)^	-	-	-

Amount in Rs. Crore

^ Provisional rating assigned

**Confirmed as final*

Complexity level of the rated instrument

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

Issue Name	Instrument Name	Date of Issuance	Coupon Rate^	Scheduled Maturity Date*	Amount Rated (Rs. crore[1])	Current Rating
Innovation Trust XXIX Dec-19	PTC Series A	December 2019	9.15%	December 2039	185.27	[ICRA]AAA(SO)

** Scheduled maturity and average life at transaction initiation; may change on account of prepayment*
^ Coupon rate is floating and linked to Investor's MCLR

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

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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.

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