September 28, 2020

Indiabulls Housing Finance Limited: Ratings reaffirmed for PTCs and assignee payouts under five mortgage loan securitisation transactions

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount after Previous Surveillance/Update Exercise (Rs. crore)	Amount after Aug-20 Payout (Rs. crore)	Rating Action
Innovation Trust XX Mar 14	PTC Series A	315.17	97.11	72.84	[ICRA]AAA(SO); Reaffirmed
Innovation Trust XXVIII Jun 2017	PTC Series A	329.96	197.97	150.12	[ICRA]AAA(SO); Reaffirmed
Innovation Trust XXIX Sept 2017	PTC Series A	609.69	422.94	330.86	[ICRA]AAA(SO); Reaffirmed
Innovation Trust XXIX Dec-19	PTC Series A	185.27	NA#	149.83	[ICRA]AAA(SO); Reaffirmed
Innovation Trust XXXII Dec-19	Assignee Payouts	492.60	443.81	426.94	[ICRA]AA(SO); Reaffirmed

**Instrument details are provided in Annexure-1*
 # Not applicable

Rationale

The pass-through certificates (PTCs) and assignee payouts (APs) originated by Indiabulls Housing Finance Limited (IBHFL) are backed by mortgage loan receivables. The ratings reaffirmation is on account of the moderate to high amortisation of the PTCs under each PTC transaction and the moderate amortisation in the assignee payouts transaction, which has led to a build-up of the credit enhancement cover over the future PTC payouts as well as future assignee payouts. The breakeven collection efficiency is also comfortable compared to the actual collection level observed in the pools. Collections in all five pools improved in the collection months of June 2020 and July 2020 compared to the previous three months during the moratorium period.

Pool performance summary (after Aug-20 payouts)

Parameter	Innovation Trust XX Mar 14	Innovation Trust XXVIII Jun 2017	Innovation Trust XXIX Sept 2017	Innovation Trust XXIX Dec-19	Innovation Trust XXXII Dec-19
Months post securitisation	77	37	34	7	7
Pool amortisation	76.9%	54.6%	45.8%	19.1%	13.3%
PTC/AP amortisation	76.9%	54.6%	45.8%	19.1%	13.3%
Cumulative collection efficiency[1]^	100.0%	99.7%	99.8%	99.7%	99.4%
Loss-cum-90+ dpd[2] (% of initial pool principal)	0.0%	0.0%	0.8%	0.0%	0.0%
Loss-cum-180+ dpd[3] (% of initial pool principal)	0.0%	0.0%	0.03%	0.0%	0.0%
90+ delinquency rate (% of balance pool principal)	0.0%	0.0%	1.3%	0.0%	0.0%

[1] *(Cumulative Current and Overdue Collections till date)/(Cumulative Billing till date + Opening Overdues at the start of the transaction)*
[2] *Inclusive of Unbilled and Overdue Principal portion of contracts delinquent for more than 90 days, as a % of Initial Pool Principal*
[3] *Inclusive of Unbilled and Overdue Principal portion of contracts delinquent for more than 180 days, as a % of Initial Pool Principal*

Parameter	Innovation Trust XX Mar 14	Innovation Trust XXVIII Jun 2017	Innovation Trust XXIX Sept 2017	Innovation Trust XXIX Dec-19	Innovation Trust XXXII Dec-19
180+ delinquency rate (% of balance pool principal)	0.0%	0.0%	0.06%	0.0%	0.0%
Cumulative prepayment rate (% of initial pool principal)	56.1%	45.8%	36.1%	15.3%	12.4%
Cash collateral (CC; % of balance pool principal)	37.8%	23.1%	17.5%	16.0%	10.4%
Cumulative CC utilisation (% of initial CC)	0.00%	0.00%	0.00%	0.00%	0.00%
Breakeven collection efficiency[4]	64.14%	71.53%	75.51%	82.56%	88.79%

^ After March 2020 payouts

Key rating drivers

Credit strengths

- Moderate to high amortisation of PTCs and assignee payouts, resulting in build-up of credit enhancement in the transactions
- Healthy collection performance in the pools; nil utilisation of CC 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 a basis risk in the structure
- Uncertainty regarding the performance of the pool, post the moratorium period, due to Covid-19 pandemic

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 February 2020 collection month. The collections during the moratorium period improved in June 2020 compared to April 2020. Any shortfall in the 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. The Mar-14, Jun-17 and Sep-17 pools have reached moderate to high amortisation levels after the July 2020 payouts, which has led to considerable credit enhancement build-up for the residual tenor. The December 2019 PTC as well AP transactions have reached moderate amortisation levels in the range of 13-19% in the seven months post securitisation owing to the high level of prepayments seen in these pools.

As far as delinquencies are concerned, the delinquencies in all the pools have been low with sub-1% loss-cum-90+ delinquencies seen in the pools, well below the ICRA loss estimate range for the same.

ICRA notes that the investors in the rated instruments had provided approval for the extension of a moratorium for the underlying contracts for six months (March 2020 to August 2020 collections), in line with the COVID-19 – Regulatory Package announced by the Reserve Bank of India (RBI) on March 27, 2020 and May 23, 2020. Further, as per the investor approval, the credit enhancement available were not used for meeting the promised principal payouts (and interest payouts for the Mar-14 and Jun-17 pools) during the moratorium period.

Overall, the credit enhancement available for meeting the balance payouts to the investors is sufficient to reaffirm the ratings of the PTCs as well as Assignee payouts. ICRA will continue to monitor the performance of the transactions. Any

[4] *(Balance Cashflows payable to investor – Cash Collateral available)/Balance Pool Cashflows*

further rating action will be based on the performance of the pools and the availability of credit enhancement relative to ICRA's expectations.

Key rating assumptions

ICRA's cash flow modelling for the surveillance of 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 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 loss and prepayments during the balance tenure of the pools are as given in the table below. Further, uncertainty around macro-level economic activity due to the Covid-19 pandemic could lead to near-term stress on the pools' performance.

Sr. No.	Transaction Name	Expected Loss (% of Initial pool principal)	Prepayment
1	Innovation Trust XX Mar 14	0.5% - 1.5%	15% - 18% p.a.
2	Innovation Trust XXVIII Jun 2017	1.0% - 2.0%	15% - 18% p.a.
3	Innovation Trust XXIX Sept 2017	1.0% - 2.0%	15% - 18% p.a.
4	Innovation Trust XXIX Dec-19	2.0% - 3.0%	15% - 18% p.a.
5	Innovation Trust XXXII Dec-19	3.0% - 4.0%	15% - 18% p.a.

Liquidity position

Superior for PTC Series A of Innovation Trust XX Mar 14, XXVIII Jun 2017, XXIX Sept 2017 and XXIX Dec-19 transactions

The credit collateral, as a percentage of the balance pool principal amount available in all the transactions, is between 16% and 38% of the balance pool principal. The availability of the overall credit enhancement is expected to be highly comfortable to meet the promised payouts to the investors. Even in a scenario of 50% collections in the pools, the CC is adequate to cover 27-83 months of the promised payouts due to the investors.

Strong for assignee payouts of Innovation Trust XXXII Dec-19 transaction

The credit collateral, as a percentage of the balance pool principal amount available in the transaction, is around 10% of the balance pool principal post the August 2020 payout. The availability of the overall credit enhancement is expected to be comfortable to meet the promised payouts to the investors. Even in a scenario of 50% collections in the pool, the CC is adequate to cover 24 months of the promised payouts due throughout the balance tenure to the investors.

Rating sensitivities

Positive triggers – For Innovation Trust XXXII Dec-19
The rating could be upgraded if the collection efficiency in the pool remains healthy (>95%) on a sustained basis, leading to an adequate increase in the cover available for future investor payouts from the credit enhancements.

Negative triggers – A rating downgrade for the pools could occur on the sustained weak collection performance of the underlying pools (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and credit enhancement.

Analytical approach

The rating action is based on the performance of the pools till July 2020 (collection month), the present delinquency profile of the pool contracts, the performance expected over the balance pool tenure and the credit enhancement 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 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 March 31, 2020, IBHFL's total assets stood at Rs. 1,06,551 crore. On a consolidated basis, IBHFL reported a net profit of Rs. 2,200 crore in FY2020 compared to a net profit of Rs. 4,091 crore in FY2019.

Key financial indicators (audited)

Particulars	Ind-AS FY2018	Ind-AS FY2019	Ind-AS FY2020
Net interest income*	4,483	5,128	3,037
Profit after tax (PAT)	3,895	4,091	2,200
Total assets	1,34,283	1,31,068	1,06,551
% Gross NPAs	0.77%	0.88%	1.47%
% Net NPAs	0.34%	0.69%	1.10%

Amounts in Rs. crore; ^ Unaudited

Source: IBHFL and ICRA research; 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

	Instrument	Current Rating (FY2021)				Rating History for the Past 3 Years			
		Type	Initial Amount Rated	Amount Outstanding	Rating	FY2020	FY2019	FY2018	
					28-Sep-20	29-Aug-19	27-Jul-18	17-Nov-17	15-May-17
1.	Innovation Trust XX Mar 14	PTC Series A	315.17	72.84	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)

Amounts in Rs. crore

	Instrument	Current Rating (FY2021)				Rating History for the Past 3 Years			
		Type	Initial Amount Rated	Amount Outstanding	Rating	FY2020	FY2019	FY2018	
					28-Sep-20	29-Aug-19	27-Jul-18	17-Oct-17	05-Jul-17
2.	Innovation Trust XXVIII Jun 2017	PTC Series A	329.96	150.12	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)

Amounts in Rs. crore

	Instrument	Current Rating (FY2021)				Rating History for the Past 3 Years			
		Type	Initial Amount Rated	Amount Outstanding	Rating	FY2020	FY2019	FY2018	
					28-Sep-20	29-Aug-19	27-Jul-18	13-Dec-17	25-Sep-17
3.	Innovation Trust XXIX Sept 2017	PTC Series A	609.69	330.86	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)

Amounts in Rs. crore

	Instrument	Current Rating (FY2021)				Rating History for the Past 3 Years			
		Type	Initial Amount Rated	Amount Outstanding	Rating	FY2020		FY2019	FY2018
					28-Sep-20	24-Feb-20	24-Dec-19	-	-
4.	Innovation Trust XXIX Dec-19	PTC Series A	185.27	149.83	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-

Amounts in Rs. crore

	Instrument	Current Rating (FY2021)				Rating History for the Past 3 Years				
		Type	Initial Amount Rated	Amount Outstanding	Rating	FY2020			FY2019	FY2018
					28-Sep-20	24-Apr-20	26-Feb-20	02-Jan-20	-	-
5.	Innovation Trust XXXII Dec-19	Assignee payouts	492.60	426.94	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-

Amounts in Rs. crore

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

Sl.	Trust Name	Instrument	Date of Issuance	Coupon Rate^	Scheduled Maturity Date*	Rated Amount (Rs. crore)	Current Rating
1	Innovation Trust XX Mar 14	PTC Series A	March 2014	7.50%	March 2035	72.84	[ICRA]AAA(SO)
2	Innovation Trust XXVIII Jun 2017	PTC Series A	June 2017	7.25%	January 2046	150.12	[ICRA]AAA(SO)
3	Innovation Trust XXIX Sept 2017	PTC Series A	September 2017	7.15%	April 2049	330.86	[ICRA]AAA(SO)
3	Innovation Trust XXIX Dec-19	PTC Series A	December 2019	9.15%	December 2039	149.83	[ICRA]AAA(SO)
3	Innovation Trust XXXII Dec-19	Assignee payouts	December 2019	9.25%	December 2049	426.94	[ICRA]AA(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/Base rate

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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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