

October 29, 2021

## IIFL Home Finance Limited: Ratings reaffirmed for PTCs issued under mortgage loan securitisation transactions

### Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount after Previous Rating Exercise (Rs. crore)	Amount after Sep-21 Payout (Rs. crore)	Rating Action
Elite Mortgage HL Trust June 2016	PTC Series A	74.43	29.50	22.19	Rating reaffirmed at [ICRA]AAA(SO)
Elite Mortgage LAP Trust June 2016	PTC Series A	63.06	14.33	7.95	Rating reaffirmed at [ICRA]AAA(SO)
Elite Mortgage HL Trust Sep 2016	PTC Series A	50.49	28.11	22.59	Rating reaffirmed at [ICRA]AAA(SO)
Elite Mortgage LAP Trust Sep 2016	PTC Series A	58.36	17.59	12.48	Rating reaffirmed at [ICRA]AAA(SO)
Elite Mortgage HL Trust Dec 2016	PTC Series A	44.32	23.00	17.37	Rating reaffirmed at [ICRA]AAA(SO)
Elite Mortgage LAP Trust Dec 2016	PTC Series A	61.55	15.41	10.35	Rating reaffirmed at [ICRA]AAA(SO)
Solitaire Mortgage -1 Trust March 2017	PTC Series A	387.93	150.01	114.68	Rating reaffirmed at [ICRA]AAA(SO)
Solitaire Mortgage -2 Trust June 2017	PTC Series A	122.34	54.10	42.64	Rating reaffirmed at [ICRA]AAA(SO)

\*Instrument details are provided in Annexure-1

### Rationale

The pass-through certificates (PTCs) are backed by eight mortgage loan pools originated by IIFL Home Finance Limited (IIFL). The rating reaffirmation for the transactions is on account of the strong performance of the pools till the September 2021 payouts and the build-up of the credit enhancement in the transactions owing to high pool amortisation. The breakeven collection efficiency is also comfortable compared to the actual collection levels observed in these pools.

### Pool performance summary

A summary of the performance of the pools till the August 2021 collection month has been tabulated below.

Parameter	Elite Mortgage HL Trust June 2016	Elite Mortgage LAP Trust June 2016	Elite Mortgage HL Trust Sep 2016	Elite Mortgage LAP Trust Sep 2016
PTC amortisation (%)	70.18%	87.40%	55.26%	78.62%
Cumulative collection efficiency (%) <sup>1</sup>	99.47%	99.73%	99.61%	99.46%
Breakeven collection efficiency <sup>2</sup> (%)	51.82%	0.00%	62.49%	26.92%
Loss-cum-90+ (% of initial pool principal) <sup>3</sup>	0.50%	0.00%	0.72%	0.00%
Loss-cum-180+ (% of initial pool principal) <sup>4</sup>	0.29%	0.00%	0.35%	0.00%
Cumulative CC utilisation (% of initial CC)	0.00%	0.00%	0.00%	0.00%

<sup>1</sup> Cumulative collections till date / cumulative billings till date plus opening overdues

<sup>2</sup> It is the minimum collection efficiency required over the balance tenure to ensure all investor payouts are met: (Balance cash flows payable to investor – Cash collateral available – Trapped EIS) / Balance pool cash flows

<sup>3</sup> POS on contracts aged 90+ dpd + overdues / Initial POS on the pool

<sup>4</sup> POS on contracts aged 180+ dpd + overdues / Initial POS on the pool

Parameter	Elite Mortgage HL Trust June 2016	Elite Mortgage LAP Trust June 2016	Elite Mortgage HL Trust Sep 2016	Elite Mortgage LAP Trust Sep 2016
CC available (as % of balance pool principal)	36.10%	83.82%	24.87%	44.77%
Trapped EIS (as % of balance pool principal)	13.22%	46.24%	6.42%	29.22%
EIS over balance tenure (as % of balance pool)	30.71%	59.55%	33.76%	68.39%
Cumulative prepayment rate <sup>5</sup>	51.87%	74.11%	39.21%	57.83%

Parameter	Elite Mortgage HL Trust Dec 2016	Elite Mortgage LAP Trust Dec 2016	Solitaire Mortgage -1 Trust March 2017	Solitaire Mortgage -2 Trust June 2017
PTC amortisation (%)	60.80%	83.19%	70.44%	65.15%
Cumulative collection efficiency (%) <sup>6</sup>	99.79%	99.62%	99.21%	99.27%
Breakeven collection efficiency <sup>7</sup> (%)	59.97%	22.20%	53.28%	59.66%
Loss-cum-90+ (% of initial pool principal) <sup>8</sup>	0.00%	1.38%	0.69%	1.27%
Loss-cum-180+ (% of initial pool principal) <sup>9</sup>	0.00%	0.29%	0.65%	1.23%
Cumulative CC utilisation (% of initial CC)	0.00%	0.00%	0.00%	0.00%
CC available (as % of balance pool principal)	27.45%	43.16%	34.52%	28.01%
Trapped EIS (as % of balance pool principal)	8.44%	40.87%	14.80%	11.22%
EIS over balance tenure (as % of balance pool)	36.45%	55.34%	39.07%	39.50%
Cumulative prepayment rate <sup>10</sup>	45.59%	70.21%	56.86%	51.67%

## Key rating drivers

### Credit strengths

- High amortisation of PTCs resulting in moderate build-up of cash collateral (CC) and excess interest spread (EIS) cover available for the balance PTC payouts
- High collection efficiency resulting in low delinquency levels exhibited by the pools.

### Credit challenges

- Moderate obligor concentration in LAP pools
- PTC Yield is linked to an external benchmark while interest rate on the underlying loans is linked to originator's PLR— which leads to a basis risk in the structure for all pools except Mar-17 pool where the PTC yield is fixed and leads to an interest rate risk in structure
- Pool performance will remain exposed to any fresh disruptions due to Covid-19 pandemic

## Description of key rating drivers highlighted above

The performance of the pools has shown been strong with a cumulative collection efficiency above 99% till the August 2021

<sup>5</sup> Principal outstanding at the time of prepayment of contracts prepaid till date divided by initial pool principal

<sup>6</sup> Cumulative collections till date / cumulative billings till date plus opening overdues

<sup>7</sup> It is the minimum collection efficiency required over the balance tenure to ensure all investor payouts are met: (Balance cash flows payable to investor – Cash collateral available – Trapped EIS) / Balance pool cash flows

<sup>8</sup> POS on contracts aged 90+ dpd + overdues / Initial POS on the pool

<sup>9</sup> POS on contracts aged 180+ dpd + overdues / Initial POS on the pool

<sup>10</sup> Principal outstanding at the time of prepayment of contracts prepaid till date divided by initial pool principal

collection month. The loss-cum-90+ dpd is below 1.40% for all the pools as of the September 2021 payout month. An important feature of the structure of the transactions is that the residual EIS, after meeting the scheduled PTC payouts (promised interest at specified yield and 100% of principal billing) and top-up of the CC, if any, in any month is retained in the structure (up to a predefined amount) as a fixed deposit with a lien marked in favour of the trustee. This trapped EIS is available to investors in case of any shortfalls from the collections from the underlying contracts. Any shortfall in the collections has been largely absorbed by the EIS in the structure. Also, there has been no instance of CC utilisation till the September 2021 payouts.

The high pool amortisation has also led to a substantial build-up of the credit enhancement in all pools. The LAP pools have moderate obligor concentration with the top 10 obligors contributing between 55% and 63% to the balance pool principal. The pool and PTC yields in the transaction are linked to the originator and investor lending rates, respectively, thereby creating a basis risk in the structure for all the pools except Solitaire Mortgage -1 Trust March 2017. The March 2017 pool has an interest rate risk as the PTC yield is fixed.

Overall, the credit enhancement available for meeting the balance payouts to the investors is sufficient to reaffirm the rating at the current rating level in the transactions. ICRA will continue to monitor the performance of the pools. Any further rating action will be based on the performance of the pools and the availability of credit enhancement relative to ICRA's expectations.

**Performance of past rated pools:** ICRA has rated nine PTC mortgage loan transactions of IIFL till date with the last PTC transaction rated in June 2019. All the live pools have shown a healthy collection efficiency and low delinquencies in the harder buckets with the 90+ days past due (dpd) below 1.4% in all the pools and nil CC utilisation as of the September 2021 payouts.

## 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 the loss and the coefficient of variation (CoV) are arrived at after taking into account the past performance of the originator's portfolio and the 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 of contracts.

Taking into account the moderate obligor concentration and the profile of the borrowers in the LAP pools, ICRA has modelled the transaction as a collateralised debt obligation (CDO; i.e. at a contract level for all obligors) with an implied probability of default (PD) and loss given default (LGD). The PD is commensurate with the non-investment grade rating of the obligors and the balance tenure of the loans extended. The LGD has been assumed after factoring in the nature and value of the underlying collateral and the loan-to-value (LTV) of the loans. Additionally, a minimum level of base correlation has been assumed among the borrowers, with a further add-on correlation for borrowers belonging to the same geography/category. Moreover, a prolonged slowdown in the macro-level economic activity could lead to stress on the pools' performance.

After making these adjustments, the expected loss and prepayments during the balance tenure of the pool is given in the table below.

Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
Elite Mortgage HL Trust June 2016	0.75%-1.50%	12-18% p.a.
Elite Mortgage LAP Trust June 2016	0.75%-1.50%	12-18% p.a.
Elite Mortgage HL Trust Sep 2016	1.50%-2.50%	12-18% p.a.
Elite Mortgage LAP Trust Sep 2016	0.75%-1.50%	12-18% p.a.
Elite Mortgage HL Trust Dec 2016	0.75%-1.50%	12-18% p.a.
Elite Mortgage LAP Trust Dec 2016	0.75%-1.50%	12-18% p.a.
Solitaire Mortgage -1 Trust March 2017	1.50%-2.50%	12-18% p.a.
Solitaire Mortgage -2 Trust June 2017	2.00%-3.00%	12-18% p.a.

## Liquidity position: Superior

The liquidity of the rated transactions is expected to be superior supported by the healthy collections expected from the pool of contracts and the presence of the CC and trapped EIS of more than 30% of the balance pool principal amount. Even assuming a monthly collection efficiency of only 50% in the underlying pool of contracts in a stress scenario, the CC and trapped EIS would cover the shortfalls in the PTC payouts for more than 20 months.

## Rating sensitivities

**Positive factors** – Not applicable (instrument is rated at the highest level on the long-term scale)

**Negative factors** – The rating could be downgraded on the sustained weak collection performance of the underlying pool of contracts, leading to high delinquency levels and a decrease in the cover available for future PTC payouts from the credit enhancement.

## Analytical approach

The rating action is based on the performance of the pools till September 2021 (collection month), the present delinquency profile of the pool, the credit enhancement available in the pool, and the performance expected over the balance tenure of the pool.

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a> <a href="#">ICRA Rating Methodology for Collateralised Debt Obligations</a>
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

## About the company

IIFL Home Finance Limited is a wholly-owned subsidiary of IIFL Finance Limited and registered with National Housing Bank (NHB) as a housing finance company. Incorporated in 2006, it offers home loans, LAP and construction finance loans. IIFL Finance was a listed non-operating holding company with India Infoline Finance, a systematically important, non-deposit accepting non-banking financial company (NBFC-ND-SI), as its subsidiary. As a part of the merger scheme with the receipt of the NBFC licence by IIFL Finance Limited, India Infoline Finance Limited merged with IIFL Finance Limited with effect from March 30, 2020. IIFL along with its subsidiaries, IIFL Home Finance and Samasta Microfinance Limited (registered as an NBFC-MFI), offers home loans, LAP, micro, small and medium enterprise (MSME) loans, gold loans, microfinance and real estate loans.

IIFL Home Finance Limited reported a profit after tax (PAT) of Rs. 401 crore in FY2021 on a total asset base of Rs. 15,978 crore compared to a PAT of Rs. 245 crore in FY2020 on a total asset base of Rs. 14,517 crore in FY2020. It operates with 127+ branches and 2,000+ employees and has a portfolio of 8,000+ projects.

## Key financial indicators

IIFL Finance Limited (consolidated)	FY2020 (Audited)	FY2021 (Audited)	Q1 FY2022 (Unaudited)
Total revenues	4,821	5,850	1,482
Profit after tax	503	761	266
Loan book (AUM)	37,951	44,668	43,160
Gross stage 3	2.3%	2.1%	2.2%
Net stage 3	1.0%	1.0%	1.0%

Amounts in Rs. crore

Source: Company, ICRA Research; All ratios as per ICRA calculations

## Status of non-cooperation with previous CRA: Not applicable

Any other information: None

## Rating history for past three years

Trust Name	Current Rating (FY2022)				Chronology of Rating History for the Past 3 Years		
	Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
				October 29, 2021	October 5, 2020	September 4, 2019	August 3, 2018
1 Elite Mortgage HL Trust June 2016	PTC Series A	74.43	22.19	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)

Trust Name	Current Rating (FY2022)				Chronology of Rating History for the Past 3 Years		
	Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
				October 29, 2021	October 5, 2020	September 4, 2019	August 3, 2018
2 Elite Mortgage LAP Trust June 2016	PTC Series A	63.06	7.95	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)

Trust Name	Current Rating (FY2022)				Chronology of Rating History for the Past 3 Years		
	Instrument	Initial Amount Rated		Date & Rating	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019

			(Rs. crore)	Amount Outstanding (Rs. crore)	October 29, 2021	October 5, 2020	September 4, 2019	August 3, 2018
3	Elite Mortgage HL Trust Sep 2016	PTC Series A	50.49	22.59	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)

Trust Name	Current Rating (FY2022)				Chronology of Rating History for the Past 3 Years			
	Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019	
				October 29, 2021	October 5, 2020	September 4, 2019	August 3, 2018	
4	Elite Mortgage LAP Trust Sep 2016	PTC Series A	58.36	12.48	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)

Trust Name	Current Rating (FY2022)				Chronology of Rating History for the Past 3 Years			
	Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019	
				October 29, 2021	October 5, 2020	September 4, 2019	August 3, 2018	
5	Elite Mortgage HL Trust Dec 2016	PTC Series A	44.32	17.37	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)

Trust Name	Current Rating (FY2022)				Chronology of Rating History for the Past 3 Years			
	Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019	
				October 29, 2021	October 5, 2020	September 4, 2019	August 3, 2018	
6	Elite Mortgage LAP Trust Dec 2016	PTC Series A	61.55	10.35	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)

Trust Name	Current Rating (FY2022)				Chronology of Rating History for the Past 3 Years			
	Instrument	Initial Amount Rated		Date & Rating	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019	

			(Rs. crore)	Amount Outstanding (Rs. crore)	October 29, 2021	October 5, 2020	September 4, 2019	August 3, 2018
7	Solitaire Mortgage -1 Trust March 2017	PTC Series A	387.93	114.68	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)

Trust Name	Current Rating (FY2022)				Chronology of Rating History for the Past 3 Years			
	Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019	
				October 29, 2021	October 5, 2020	September 4, 2019	August 3, 2018	
8	Solitaire Mortgage -2 Trust June 2017	PTC Series A	122.34	42.64	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)

### Complexity level of the rated instruments

Trust Name	Instrument	Complexity Indicator
Elite Mortgage HL Trust June 2016	PTC Series A	Moderately Complex
Elite Mortgage LAP Trust June 2016	PTC Series A	Moderately Complex
Elite Mortgage HL Trust Sep 2016	PTC Series A	Moderately Complex
Elite Mortgage LAP Trust Sep 2016	PTC Series A	Moderately Complex
Elite Mortgage HL Trust Dec 2016	PTC Series A	Moderately Complex
Elite Mortgage LAP Trust Dec 2016	PTC Series A	Moderately Complex
Solitaire Mortgage -1 Trust March 2017	PTC Series A	Simple
Solitaire Mortgage -2 Trust June 2017	PTC Series A	Moderately Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [www.icra.ins](http://www.icra.ins)

**Annexure-1: Instrument details**

ISIN	Trust Name	Instrument Type	Date of Issuance	Coupon Rate (p.a.p.m.)	Maturity Date*	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Elite Mortgage HL Trust June 2016	PTC Series A	June 2016	Floating (linked to investor MCLR)	May 2035	22.19	[ICRA]AAA(SO)
NA	Elite Mortgage LAP Trust June 2016	PTC Series A	June 2016	Floating (linked to investor MCLR)	September 2036	7.95	[ICRA]AAA(SO)
NA	Elite Mortgage HL Trust Sep 2016	PTC Series A	September 2016	Floating (linked to investor MCLR)	June 2050	22.59	[ICRA]AAA(SO)
NA	Elite Mortgage LAP Trust Sep 2016	PTC Series A	September 2016	Floating (linked to investor MCLR)	August 2040	12.48	[ICRA]AAA(SO)
NA	Elite Mortgage HL Trust Dec 2016	PTC Series A	December 2016	Floating (linked to investor MCLR)	November 2049	17.37	[ICRA]AAA(SO)
NA	Elite Mortgage LAP Trust Dec 2016	PTC Series A	December 2016	Floating (linked to investor MCLR)	January 2040	10.35	[ICRA]AAA(SO)
NA	Solitaire Mortgage -1 Trust March 2017	PTC Series A	March 2017	7.25% p.a. fixed	August 2051	114.68	[ICRA]AAA(SO)
NA	Solitaire Mortgage -2 Trust June 2017	PTC Series A	June 2017	Floating (linked to investor MCLR)	July 2049	42.64	[ICRA]AAA(SO)

\*Scheduled maturity at transaction initiation; may change on account of change in prepayments and yield change

Source: Company

**Annexure-2: List of entities considered for consolidated analysis**

Not Applicable

## ANALYST CONTACTS

**Abhishek Dafria**

+91 22 6114 3440

[abhishek.dafria@icraindia.com](mailto:abhishek.dafria@icraindia.com)

**Gaurav Mashalkar**

+91 22 6114 3431

[gaurav.mashalkar@icraindia.com](mailto:gaurav.mashalkar@icraindia.com)

**Ritu Rita**

+91 22 6114 3409

[ritu.rita@icraindia.com](mailto:ritu.rita@icraindia.com)

**Karan Pednekar**

+91 22 6114 3433

[karanp@icraindia.com](mailto:karanp@icraindia.com)

**Priya Gounder**

+91 22 6114 3400

[priya.gounder@icraindia.com](mailto:priya.gounder@icraindia.com)

## RELATIONSHIP CONTACT

**L Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

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

[info@icraindia.com](mailto:info@icraindia.com)

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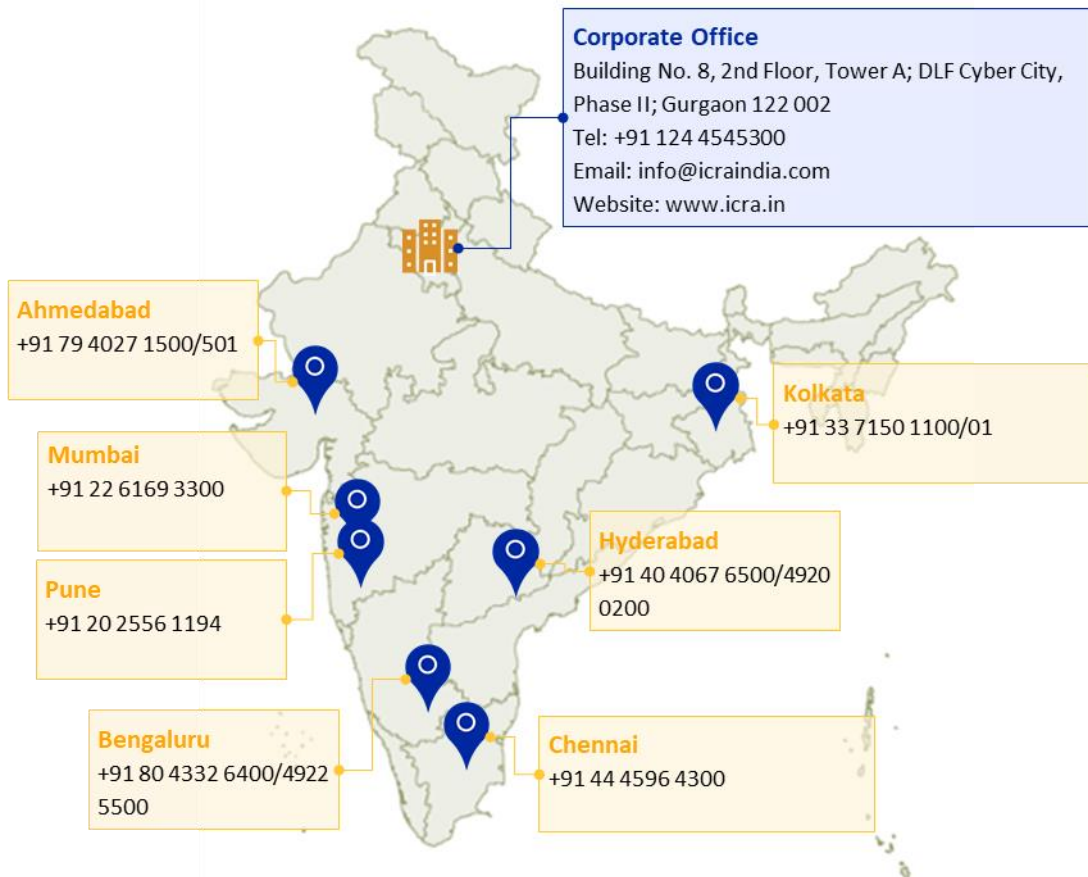
### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



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