

July 29, 2022

IIFL Home Finance Limited: [ICRA]AAA(SO) reaffirmed for PTCs issued under a mortgage loan securitisation transaction – Elite Mortgage HL Trust June 2019

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount after Previous Rating Exercise (Rs. crore)	Amount after Jun-22 Payout (Rs. crore)	Rating Action
Elite Mortgage HL Trust June 2019	PTC Series A	358.54	238.25	182.17	Rating reaffirmed at [ICRA]AAA(SO)

*Instrument details are provided in Annexure-1

Rationale

The pass-through certificates (PTCs) are backed by housing loan receivables originated by IIFL Home Finance Limited (IIFL, rated [ICRA]AA(Stable)). The receivables have been assigned to the trust at par and the trust has issued one series of PTCs backed by the same.

The rating reaffirmation for the transaction is on account of the strong performance of the pool till the June 2022 payouts and the healthy build-up of the credit enhancement in the transaction owing to pool amortisation. The breakeven collection efficiency is also comfortable compared to the actual collection levels observed in the pool.

Pool Performance summary

A summary of the performance of the pools till the May 2022 collection month has been tabulated below.

Parameter	Elite Mortgage HL Trust June 2019
Months post securitisation	36
Pool amortisation (%)	48.46%
PTC amortisation (%)	49.19%
Cumulative collection efficiency (%) ¹	99.48%
Breakeven collection efficiency ² (%)	71.22%
Loss-cum-90+ (% of initial pool principal) ³	0.84%
Loss-cum-180+ (% of initial pool principal) ⁴	0.40%
Cumulative CC utilisation (% of initial CC)	0.00%
CC available (as % of balance pool principal)	29.10%
Trapped EIS (as % of balance pool principal)	4.24%
EIS over balance tenure (as % of balance pool)	22.60%
Cumulative prepayment rate ⁵	42.33%

¹ Cumulative collections till date / cumulative billings till date plus opening overdues

² 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

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

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

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

Key rating drivers

Credit strengths

- Healthy 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 pool.

Credit challenges

- 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
- The pool has a moderate share of self-employed borrowers
- Pool performance will remain exposed to any fresh disruptions caused due to Covid-19 pandemic

Description of key rating drivers highlighted above

The performance of the pool has shown strong per healthy with a cumulative collection efficiency above 99% till the May 2022 collection month. The loss-cum-90+ dpd has remained sub 1.00% in all months. An important feature of the structure of the transactions is that the residual EIS, after meeting scheduled PTC payouts (promised interest at specified yield and 100% of principal billing) and top up of CC, if any, in any month is retained in the structure (up to a predefined amount) as fixed deposit with a lien marked in favour of the trustee. This trapped EIS is available investors in case of any shortfalls from collection from 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 June 2022 payouts. However, 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. The balance pool has a moderate share of self-employed borrowers at around 35%.

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 transaction. ICRA will continue to monitor the performance of the pool. Any further rating action will be based on the performance of the pool and the availability of credit enhancement relative to ICRA's expectations.

Performance of past rated pools: ICRA has eleven PTC mortgage loan transactions of IIFL group till date. All the live pools have shown satisfactory performance till May 2022 collection month with nil CC utilisation.

Key rating assumptions

ICRA's cash flow modelling for the mortgage-backed security (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 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 pool is given in the table below.

Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
Elite Mortgage HL Trust June 2019	2.0-3.0%	12-18% p.a.

Liquidity position: Superior

The liquidity of the rated transaction is expected to be superior supported by the healthy collections expected from the pool of contracts and the presence of cash collateral and trapped EIS available at ~33% of the balance pool principal amount. Even assuming a monthly collection efficiency of only 50% in the underlying pool contracts in a stress scenario, the cash collateral and trapped EIS would cover the shortfalls in the PTC payouts for a period of almost six years.

Rating sensitivities

Positive factors – Not applicable

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 pool till May 2022 (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	Rating Methodology for Securitisation Transactions
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, loan against property and construction finance loans.

IIFL Home Finance Limited's reported a PAT of Rs. 578 crore in FY2022 on total AUM of Rs. 23,617 crore as compared to PAT of Rs. 401 crore in FY2021 on a total AUM of Rs. 20,694 crore in FY2021. The Gross Stage 3 and Net Stage 3 stands at 2.1% and 1.3% respectively as on March 31, 2022 as compared to Gross Stage 3 and Net Stage 3 of 2.0% and 1.2% respectively a on March 31, 2021.

Key financial indicators

IIFL Home Finance Limited	FY2020 (Audited)	FY2021 (Audited)	FY2022 (Audited)
Total Income	1,803	2,067	2,221
Profit after tax	245	401	578
Assets under management (AUM)	18,495	20,694	23,617
Gross Stage 3	1.6%	2.0%	2.1%
Net Stage 3	1.2%	1.2%	1.3%

Amounts in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Sr. No.	Trust Name	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years			
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	
					July 29, 2022			November 8, 2019	June 21, 2019
1	Elite Mortgage HL Trust June 2019	PTC Series A	358.54	182.17	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)

Complexity level of the rated instrument

Instrument	Complexity Indicator
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.in

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 2019	PTC Series A	June 2019	Floating; Linked to 1 year MCLR of investor	August 2045	182.17	[ICRA]AAA(SO)

*Scheduled maturity at transaction initiation; may change on account of prepayments

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

Samriddhi Chowdhary

+91 22 6114 3462

samriddhi.chowdhary@icraindia.com

Gaurav Mashalkar

+91 22 6114 3431

gaurav.mashalkar@icraindia.com

Priya Gounder

+91 22 6114 3454

priya.gounder@icraindia.com

Ritu Rita

+91 22 6114 3409

ritu.rita@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



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2022 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.