

August 25, 2022

ICICI Bank Limited: Ratings reaffirmed for PTCs and SLF issued under two mortgage loan pools

Summary of rating action

Trust Name [^]	Instrument [*]	Initial Rated Amount (Rs. crore)	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
ICICI Bank Ltd. (2005) MBS 1 (Aawas Trust Series 8)	PTC Series A2	300.00	18.89	14.97	[ICRA]AAA(SO); Reaffirmed
	PTC Series B ^{^^}	--	--	--	[ICRA]AAA(SO); Reaffirmed
	Second Loss Facility	59.73	21.00	21.00	[ICRA]AA+(SO); Reaffirmed
ICICI Bank Ltd. (2005) MBS 2 (Aawas Trust Series 5)	PTC Series A2	345.39	21.95	17.23	[ICRA]AAA(SO); Reaffirmed
	PTC Series B ^{^^}	--	--	--	[ICRA]AAA(SO); Reaffirmed
	Second Loss Facility	62.77	27.75	27.75	[ICRA]AA+(SO); Reaffirmed

[^]The two trusts are referred to as Aawas 8 and Aawas 5, respectively, in this release

^{^^} Initial investment by Series B PTC holders was nominal

^{*}Instrument details are provided in Annexure I

Rationale

ICRA has reaffirmed the rating for the pass-through certificates (PTCs) issued under two mortgage securitisation transactions originated by ICICI Bank Limited (IBL). The rating reaffirmation is based on the performance of the underlying pools till date and the expected performance over their balance tenure as well as the credit enhancement available for the rated PTCs and the second loss facility (SLF). The performance of these transactions (Aawas 8 and Aawas 5 pools) till the July 2022 payout (June 2022 collection month) is given in the table below.

Pool performance summary

Parameter	Aawas 8	Aawas 5
Months post securitisation	200	199
Pool amortisation	97.98%	97.6%
PTC amortisation – PTC Series A2	95.01%	95.01%
Cumulative collection efficiency ¹	99.13%	98.42%
Loss-cum-90+ dpd ² (% of initial pool)	0.67%	0.87%
Loss-cum-180+ dpd ³ (% of initial pool)	0.65%	0.82%
Cumulative cash collateral (CC) utilisation	0.00%	0.00%

Key rating drivers

Credit strengths

- Healthy cumulative collection efficiency (above 98%) for both pools
- Low delinquencies observed with loss-cum-180+ days past due (dpd) of less than 1% for both pools
- High amortisation of the pools, i.e. ~98% after July 2022 payouts, leading to lower uncertainty around performance of the balance pool contracts

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 percentage of initial pool principal

³ Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 180 days, as a percentage of initial pool principal

- Balance cash collateral (CC) is covering entire future payouts to investors

Credit challenges

- PTC yield is linked with external benchmark and pool yield is linked with originator's internal rate so inverse movement in both may lead utilisation from cash collateral.

Description of key rating drivers highlighted above

Aawas 8 and Aawas 5 have completed 200 months and 199 months post securitisation, respectively, and are amortised by 97.98% and 97.58%, respectively, at present. In addition to Series A2, these transactions have a Series B tranche, which is obliged to pay an amount equivalent to the principal outstanding on pre-identified contracts that are repriced in a certain manner (conversion from floating rate to fixed rate at a yield lower than what was payable to PTC Series A2 or conversion from fixed rate to floating rate). However, no such conversion has happened till date. Moreover, both pools have been characterised by a high collection efficiency, i.e. more than 98%, and low delinquency build-up (180+ dpd as a percentage of the initial pool size at 0.65% for Aawas 8 and 0.82% for Aawas 5, post June 2022 collections).

The remaining CC, after the July 2022 payouts, of Rs. 38.81 crore and Rs. 48.98 crore for Aawas 8 and Aawas 5, respectively, covers the entire balance promised cash flow in the pools. This includes credit support, which is available in the form of a first loss facility (FLF) of Rs. 17.81 crore (94.63% of the balance PTC principal outstanding) in the Aawas 8 transaction and Rs. 21.23 crore (97.66% of the balance PTC principal outstanding) in the Aawas 5 transaction.

In ICRA's opinion, the level of credit enhancement is highly comfortable to protect the investors from delinquencies and credit losses even under significantly stressed loss assumptions. ICRA will continue to monitor the performance of the pools.

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 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 of contracts. After making these adjustments, the expected loss and prepayments during the balance tenure of the pools are given in the table below.

Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
ICICI Bank Ltd. (2005) MBS 1 (Aawas Trust Series 8)	0.5-1.0%	12-18% p.a.
ICICI Bank Ltd. (2005) MBS 2 (Aawas Trust Series 5)	0.5-1.0%	12-18% p.a.

Liquidity position

PTC Series A2 & PTC Series B: Superior

The collections in the pools are expected to be highly comfortable to meet the investor payouts. Also, the remaining CC covers the entire balance promised cash flow in the pools.

SLF: Strong

The FLF covers 94.63% and 97.66% of the balance promised cash flow for Aawas 8 and Aawas 5, respectively. The rest will be utilised from the SLF in the unlikely scenario of no collections in the pools.

Rating sensitivities

Positive factors – Not applicable for the PTCs; the rating of the SLF would be upgraded if the FLF fully covers the entire future investor payouts.

Negative factors – The ratings are unlikely to be downgraded as the CC available in the transaction is sufficient to meet the future promised payouts.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the company

ICICI Bank Limited (IBL) is a systemically important private sector bank in India with a market share of 7.40% in banking sector advances as on December 31, 2021. With a presence in banking, insurance, asset management, investment banking and private equity, the ICICI Group is a large player in the Indian financial system. As of March 31, 2022, the bank had 5,418 branches and 13,626 ATMs. IBL was originally promoted in 1994 by ICICI Limited, an Indian financial institution, and was its wholly-owned subsidiary. In 1998, ICICI Limited's shareholding in IBL reduced to 46% following a public offering of shares. Further, ICICI Limited and IBL were merged in 2002, following which the ICICI Group's financing and banking operations, both wholesale and retail, were integrated into a single entity.

Key financial indicators (audited)

ICICI Bank Limited	FY2020	FY2021	FY2022
As per	I-GAAP	I-GAAP	I-GAAP
Net Interest Income	33,267	38,989	47,466
Profit after tax	7,931	16,193	23,339
Net advances	6,45,290	7,33,729	8,59,020
Gross NPA	6.04%	5.40%	3.76%
Net NPA	1.54%	1.25%	0.81%

Source: Company, ICRA Research; All ratios as per ICRA's calculations
Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	
					August 25, 2022	August 31, 2021	August 28, 2020	August 30, 2019	
1	ICICI Bank Ltd. (2005) MBS 1 (Aawas Trust Series 8)	PTC Series A2	300.00	14.97	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	
		PTC Series B^^	--	--	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	
		Second Loss Facility	59.73	21.00	[ICRA]AA+(SO)	[ICRA]AA+(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	

^^ Initial investment by Series B PTC holders was nominal

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					August 25, 2022	August 31, 2021	August 28, 2020	August 30, 2019	
2	ICICI Bank Ltd. (2005) MBS 2 (Aawas Trust Series 5)	PTC Series A2	345.39	17.23	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	
		PTC Series B^^	--	--	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	
		Second Loss Facility	62.77	27.75	[ICRA]AA+(SO)	[ICRA]AA+(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	

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Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
ICICI Bank Ltd. (2005) MBS 1 (Aawas Trust Series 8)	PTC Series A2	Moderately Complex
	PTC Series B^	
	Second Loss Facility	
ICICI Bank Ltd. (2005) MBS 2 (Aawas Trust Series 5)	PTC Series A2	Moderately Complex
	PTC Series B^	
	Second Loss Facility	

^ Initial investment by Series B PTC holders was nominal

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 I: Instrument details

Trust Name	Instrument	Date of Issuance	Coupon Rate	Maturity Date**	Amount Rated (Rs. crore)	Current Rating
ICICI Bank Ltd. (2005) MBS 1 (Aawas Trust Series 8)	PTC Series A2	December 2005	Fixed (prevailing 5-yr OIS + spread)	November 2033	14.97	[ICRA]AAA(SO) ; reaffirmed
	PTC Series B^^		Floating*		0.00	[ICRA]AAA(SO) ; reaffirmed
	Second Loss Facility		NA		21.00	[ICRA]AA+(SO) ; reaffirmed
ICICI Bank Ltd. (2005) MBS 2 (Aawas Trust Series 5)	PTC Series A2	December 2005	Fixed (prevailing 5-yr OIS + spread)	March 2034	17.23	[ICRA]AAA(SO) ; reaffirmed
	PTC Series B^^		Floating*		0.00	[ICRA]AAA(SO) ; reaffirmed
	Second Loss Facility		NA		27.75	[ICRA]AA+(SO) ; reaffirmed

Source: Company, ICRA Research

^^ Initial investment by Series B PTC holders was nominal

* Linked to yield on specified loan contracts

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

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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About ICRA Limited:

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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

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