

September 29, 2022

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

Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/s after last surveillance (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Special Purpose Vehicle Innovation Trust XX Mar 14	PTC Series A	315.17	47.15	33.77	[ICRA]AAA(SO); Reaffirmed
Innovation Trust XXVIII Jun 2017	PTC Series A	329.96	99.09	74.57	[ICRA]AAA(SO); Reaffirmed
Innovation Trust XXIX Sept 2017	PTC Series A	609.69	223.20	169.52	[ICRA]AAA(SO); Reaffirmed
Innovation Trust XXIX Dec-19	PTC Series A	185.27	76.35	51.70	[ICRA]AAA(SO); Reaffirmed
Innovation Trust XXXII Dec-19	Assignee Payouts	492.60	256.19	197.36	[ICRA]AAA(SO); Upgraded from [ICRA]AA+(SO)

*Instrument details are provided in Annexure-1

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/upgrade is on account of the moderate to high amortisation of the PTCs under each PTC transaction and the moderate amortisation in the AP transaction, which has led to the healthy build-up of the credit enhancement cover over the future PTC payouts as well as the future APs. The breakeven collection efficiency is also comfortable compared to the actual collection level observed in the pools.

Pool performance summary

Parameter	Special Purpose Vehicle 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	101	61	58	31	31
Pool amortisation	89.28%	77.40%	72.20%	72.10%	59.94%
Purchaser payouts amortisation	89.28%	77.40%	72.20%	72.10%	59.94%
Cumulative collection efficiency ¹	99.97%	99.26%	99.38%	100.91%	101.59%
Loss-cum-90+ dpd ² (% of initial pool)	0.00%	0.00%	0.00%	0.00%	0.00%
Loss-cum-180+ dpd ³ (% of initial pool)	0.00%	0.00%	0.00%	0.00%	0.00%

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

Cumulative cash collateral (CC) utilisation	0.00%	0.00%	0.00%	0.00%	0.00%
CC available (as % of balance pool principal)	81.66%	46.47%	34.17%	46.42%	22.48%
Excess interest spread (EIS) over balance tenure (as % of balance pool)	27.07%	95.47%	79.06%	39.03%	54.71%

Key rating drivers

Credit strengths

- High to significant amortisation of PTCs resulting in build-up of credit enhancement in the transactions
- Healthy collection performance in the pools; no cash collateral utilisation as on date 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
- Pool's performance will remain exposed to disruptions caused by the 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 July 2022 collection month. Any shortfall in 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. All the five pools have reached high amortisation levels in the range of 60%-80% after the August 2022 payouts, which has led to considerable credit enhancement build-up for the residual tenor.

The delinquencies, i.e. loss-cum-90+ days past due (dpd), are nil as of the July 2022 collection month for all five pools, which is well below the ICRA loss estimate range.

Overall, the credit enhancement available for meeting the balance payouts to the investors is sufficient to reaffirm and upgrade the ratings of the PTCs and APs, respectively. ICRA will continue to monitor the performance of the transactions. Any 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 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
Special Purpose Vehicle Innovation Trust XX Mar 14	0.25% - 1.25%	15% - 18% p.a.
Innovation Trust XXVIII Jun 2017	0.5% - 1.5%	15% - 18% p.a.
Innovation Trust XXIX Sept 2017	0.5% - 1.5%	15% - 18% p.a.
Innovation Trust XXIX Dec-19	0.5% - 1.5%	15% - 18% p.a.
Innovation Trust XXXII Dec-19	1.0% - 2.0%	15% - 18% p.a.

Liquidity position

Superior for all transactions

The cash collateral, as a percentage of the balance pool principal amount available in all the transactions, is between 22% and 82% of the balance pool principal. The availability of overall credit enhancement is expected to be highly comfortable to meet the promised payouts to the investors. The CC is adequate to cover 26-61 months of the promised payouts due to the investors.

Rating sensitivities

Positive factors – Not Applicable

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

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

Incorporated in 2005, IBHFL is a housing finance company registered with NHB. In March 2013, the parent company, Indiabulls Financial Services Limited, merged with IBHFL. The company provides mortgage loans, LRD and construction finance with prime focus on the mortgage and home finance business. As on December 31, 2021, IBHFL's AUM was Rs. 73,914 crore. On a consolidated basis, IBHFL reported a net profit of Rs. 1,202 crore on total income of Rs. 10,030 crore in FY2021 compared to a net profit of Rs. 2,200 crore on total income of Rs. 13,223 crore in FY2020. In 9M FY2022, the company reported a net profit of Rs. 871 crore on total income of Rs. 6,837 crore. Its net worth was Rs. 16,405 crore while the CRAR was 31.2% as on December 31, 2021.

Key financial indicators

IBHFL	FY2020	FY2021	9M FY2022^
Net Interest Income	3,037	2,783	1,973
Net Profit	2,200	1,202	871
Total Assets	1,06,551	93,238	82,285
Gross NPA (%)*	1.5%	2.7%	3.2%
Net NPA (%)#	1.1%	1.6%	1.8%

Note: Amount in Rs. crore

Source: Company & ICRA Research

^Based on unaudited interim financial statements; *As a % of gross advances; #As a % of net advances

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	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	
					Sep 29, 2022	Sep 27, 2021	Sep 28, 2020	Aug 29, 2019	
1	Special Purpose Vehicle Innovation Trust XX Mar 14	PTC Series A	315.17	33.77	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	

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					Sep 29, 2022	Sep 27, 2021	Sep 28, 2020	Aug 29, 2019	
2	Innovation Trust XXVIII Jun 2017	PTC Series A	329.96	74.57	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	

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					Sep 29, 2022	Sep 27, 2021	Sep 28, 2020	Aug 29, 2019
3	Innovation Trust XXIX Sept 2017	PTC Series A	609.69	169.52	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)

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		Instrument	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	
					Sep 29, 2022	Sep 27, 2021	Sep 28, 2020	Feb 25, 2020	Dec 24, 2019
4	Innovation Trust XXIX Dec-19	PTC Series A	185.27	51.70	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)

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		Instrument	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021		Date & Rating in FY2020	
					Sep 29, 2022	Sep 27, 2021	Sep 28, 2020	Apr 24, 2020	Feb 06, 2020	Jan 02, 2020
5	Innovation Trust XXXII Dec-19	Assignee Payouts	492.60	197.36	[ICRA]AAA(SO)	[ICRA]AA+(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Special Purpose Vehicle Innovation Trust XX Mar 14	PTC Series A	Moderately Complex
Innovation Trust XXVIII Jun 2017	PTC Series A	Moderately Complex
Innovation Trust XXIX Sept 2017	PTC Series A	Moderately Complex
Innovation Trust XXIX Dec-19	PTC Series A	Moderately Complex
Innovation Trust XXXII Dec-19	Assignee Payouts	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

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate [^]	Maturity Date [*]	Amount Rated (Rs. crore)	Current Rating
Special Purpose Vehicle Innovation Trust XX Mar 14	PTC Series A	March 2014	7.65%	March 2035	33.77	[ICRA]AAA(SO)
Innovation Trust XXVIII Jun 2017	PTC Series A	June 2017	6.81%	January 2046	74.57	[ICRA]AAA(SO)
Innovation Trust XXIX Sept 2017	PTC Series A	September 2017	6.81%	April 2049	169.52	[ICRA]AAA(SO)
Innovation Trust XXIX Dec-19	PTC Series A	December 2019	8.30%	December 2039	51.70	[ICRA]AAA(SO)
Innovation Trust XXXII Dec-19	Assignee Payouts	December 2019	8.20%	December 2049	197.36	[ICRA]AAA(SO)

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

[^] Coupon rate is floating and linked to investor's MCLR/Base rate

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Not applicable

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