

December 16, 2022

Indiabulls Housing Finance Limited: Ratings reaffirmed for PTCs issued under four 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
Innovation Trust XXVIII Jun 2017	PTC Series A	329.96	74.57	73.07	[ICRA]AAA(SO); reaffirmed
Innovation Trust XXIX Sept 2017	PTC Series A	609.69	169.52	165.58	[ICRA]AAA(SO); reaffirmed
Innovation Trust XXIX Dec-19	PTC Series A	185.27	51.70	48.92	[ICRA]AAA(SO); reaffirmed
Innovation Trust XXXII Dec-19	Assignee Payouts	492.60	197.36	194.36	[ICRA]AAA(SO); reaffirmed

*Instrument details are provided in Annexure-1

Rationale

The pass-through certificates (PTCs) and assignee payouts (APs) are backed by four respective pools of mortgage loan receivables originated by Indiabulls Housing Finance Limited {IHFL; rated [ICRA]AA(Stable)}. The receivables have been assigned to the trusts at par and the trusts have issued single series of PTCs backed by the same. The ratings have been reaffirmed on account of the high amortisation in the transactions, which has led to a build-up of the credit enhancement cover over the future PTC payouts and APs. The ratings draw comfort from the fact that the breakeven collection efficiency is comfortable compared to the actual collection level observed in the pool till the November 2022 payout month.

Pool performance summary

A summary of the performance of the pool till November 2022 payout month has been tabulated below.

Parameter	Innovation Trust XXVIII Jun 2017	Innovation Trust XXIX Sept 2017	Innovation Trust XXIX Dec-19	Innovation Trust XXXII Dec-19
Months post securitisation	63	60	33	33
Pool Amortisation	77.85%	72.84%	73.23%	60.54%
PTC Amortisation	77.85%	72.84%	73.23%	60.54%
Cumulative collection efficiency ¹	99.28%	99.40%	100.89%	101.55%
Loss cum 90+ (% of initial pool principal) ²	0.00%	0.00%	0.00%	0.00%
Loss cum 180+ (% of initial pool principal) ³	0.00%	0.00%	0.00%	0.00%
Break even collection efficiency ⁴	48.54%	55.67%	58.54%	70.25%
Cumulative credit collateral (CC) utilisation (% of initial CC)	0.00%	0.00%	0.00%	0.00%
CC available (as % of balance pool principal)	47.42%	34.99%	48.40%	22.83%
Excess interest spread (EIS) (as % of balance pool principal)	>100%	96.72%	38.23%	75.96%
Cumulative prepayment rate ⁵	65.92%	58.37%	59.98%	57.61%

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

² POS on contracts aged 90+ dpd + overdues / Initial POS on the pool

³ POS on contracts aged 180+ dpd + overdues / Initial POS on the pool

⁴ It is the minimum collection efficiency required over the balance tenure to ensure all investor payouts are met: (Balance cash flows payable to investor – Credit collateral available) / Balance pool cash flows

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

Reset of credit enhancement

At the request of IHFL for reset of credit enhancement, ICRA has analysed Innovation Trust XXVIII Jun 2017, Innovation Trust XXIX Sept 2017 and Innovation Trust XXIX Dec-19 transactions at 30% of the initial CC (14.2%, 10.5% and 14.7%, respectively, of the balance pool principals after November 2022 payouts) against the currently available CC of 47.4%, 35.0% and 49.1%, respectively. Based on the pool performance, the ratings for the PTCs will remain unchanged even after the reset of the CC amount. The CC reset shall be subject to the approval of the PTC investors. However, as per the regulatory guidelines, the amount of CC that can be released would be restricted to 60% of the difference between the current CC amount and the revised CC amount allowed by ICRA.

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 the external benchmark and the pool yield is linked to the originator's internal rate which leads to a basis risk in the structure
- The performance of the pools would remain exposed to macro-economic shocks/business disruptions, if any

Description of key rating drivers highlighted above

The performance of all the four pools has been strong in terms of collections with a cumulative collection efficiency of more than 99% till the November 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 four pools have reached high amortisation levels in the range of 60-78% after the November 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 November 2022 collection month for all the four pools, which is well below the ICRA loss estimate range.

Overall, the credit enhancement available to meet the balance payouts to the investors (after downward reset in the CC) is sufficient to reaffirm the rating at the current rating level in the transaction. ICRA will continue to monitor the performance of the transaction. Any further rating action will be based on the performance of the pool and availability of credit enhancement relative to ICRA's expectations.

Key rating assumptions

ICRA's cash flow modelling for 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 rated pools, and 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 the aforementioned adjustments, the expected loss and prepayments during the balance tenure of the pool are given in the table below.

Parameter	Expected Loss (% of initial pool principal)	Prepayment
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

Credit collateral as a proportion of the balance pool principal amount available in all the transactions have a build-up in the range of 22-50% as of the November 2022 payout month. The availability of the overall credit enhancement is expected to be highly comfortable to meet the promised payouts to investors. The cash collateral is adequate to cover 27-52 months of promised payouts due to the investors.

Rating sensitivities

Positive factors – Not applicable

Negative factors – A rating downgrade for the pools could occur on sustained weak collection performance of the underlying pool (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 pool till November 2022 (payout month), the present delinquency level analysis of the performance of IHFL's portfolio till September 2022, the performance expected over the balance tenure of the pool and the credit enhancement cover available in the transaction.

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for Securitisation Transactions
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

About the company

IHFL, incorporated in 2005, is a housing finance company registered with NHB. In March 2013, the parent company, Indiabulls Financial Services Limited, merged with IHFL. The company provides mortgage loans, LRD and construction finance with prime focus on the mortgage and home finance business. As on March 31, 2022, IHFL's AUM was Rs. 72,211 crore. On a consolidated basis, IHFL reported a net profit of Rs. 1,178 crore on a total income of Rs. 8,994 crore in FY2022 compared with a net profit of Rs. 1,202 crore on a total income of Rs. 10,030 crore in FY2021. In H1 FY2023, the company reported a net profit of Rs. 576 crore on a total income of Rs. 4,309 crore. Its AUM was Rs. 63,558 crore, while the CRAR was 24% as on September 30, 2022.

Key financial indicators (audited; consolidated)

IHFL	FY2020	FY2021	FY2022	H1 FY2023
Total income	13,223	10,030	8,994	4,309
Net profit	2,200	1,202	1,178	576
Total assets	1,06,551	93,238	81,973	75,812
Gross NPA (%)	1.5%	2.7%	3.2%	3.9%
Net NPA (%)	1.1%	1.6%	1.9%	2.1%

Note: Amount in Rs. crore

Source: Company & ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	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 in FY2023		Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					Dec 16, 2022	Sep 29, 2022			
1	Innovation Trust XXVIII Jun 2017	PTC Series A	329.96	73.07	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)

	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 in FY2023		Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					Dec 16, 2022	Sep 29, 2022			
2	Innovation Trust XXIX Sept 2017	PTC Series A	609.69	165.58	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)

	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 in FY2023		Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					Dec 16, 2022	Sep 29, 2022			
3	Innovation Trust XXIX Dec-19	PTC Series A	185.27	48.92	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)

	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 in FY2023		Date & Rating in FY2022	Date & Rating in FY2021		Date & Rating in FY2020
					Dec 16, 2022	Sep 29, 2022		Sep 28, 2020	Apr 24, 2020	
4	Innovation Trust XXXII Dec-19	Assignee Payouts	492.60	194.36	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AA+(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
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: [Click Here](#)

Annexure-1: Instrument details

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate [^]	Maturity Date [*]	Amount Rated (Rs. crore)	Current Rating
Innovation Trust XXVIII Jun 2017	PTC Series A	June 2017	6.81%	January 2046	73.07	[ICRA]AAA(SO)
Innovation Trust XXIX Sept 2017	PTC Series A	September 2017	6.81%	April 2049	165.58	[ICRA]AAA(SO)
Innovation Trust XXIX Dec-19	PTC Series A	December 2019	8.30%	December 2039	48.92	[ICRA]AAA(SO)
Innovation Trust XXXII Dec-19	Assignee Payouts	December 2019	8.20%	December 2049	194.36	[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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