December 04, 2023

Piramal Capital & Housing Finance Limited (erstwhile Dewan Housing Finance Corporation Limited): Rating confirmed as final for SNs issued under home loan receivables securitisation transaction

Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
Nirvana Trust May 2023	Series A SNs	444.90	[ICRA]AAA(SO); provisional rating confirmed as final

**Instrument details are provided in Annexure I*

Rationale

In May 2023, ICRA had assigned a Provisional [ICRA]AAA(SO) rating to Series A SNs issued by Piramal Capital & Housing Finance Limited {PCHFL; rated [ICRA]AA(Stable)}. The securities are backed by a pool of Rs. 1,037.70-crore home loan (HL) receivables (underlying pool principal of Rs. 444.90 crore). Since the executed transaction documents are in line with the rating conditions and the legal opinion for the transaction has been provided to ICRA, the said rating has now been confirmed as final.

A summary of the pool's performance after the September 2023 collection month (October 2023 payouts) is shown in the table below.

Parameter	Nirvana Trust May 2023
Months post securitisation	5
Pool amortisation	8.90%
Series A SNs amortisation	8.90%
Cumulative collection efficiency	99.49%
Cumulative prepayment rate	7.50%
Loss-cum-0+ dpd	1.88%
Loss-cum-30+ dpd	0.43%
Loss-cum-90+ dpd	0.00%
Cumulative cash collateral utilisation	0.00%

Key rating drivers

Credit strengths

- Availability of credit enhancement (CE) in the form of excess interest spread (EIS) and cash collateral (CC)
- No overdue contracts in the pool as on the cut-off date and no contracts have been delinquent in the last 12 months
- High share of contracts in the initial pool with a CIBIL score equal to or more than 750 (~56%)

Credit challenges

- High geographical concentration with share of top 3 states at ~65% in the initial pool
- Yield for SNs is linked to an external benchmark while interest rate on the underlying loans is floating, leading to basis risk in the structure
- Performance of the pool would remain exposed to macro-economic shocks/business disruptions

Description of key rating drivers highlighted above

The first line of support for Series A SNs in the transaction is in the form of an EIS of 28.06% of the pool principal. The EIS available after meeting the promised payouts to Series A SNs will flow back to the originator. A CC of 12.00% of the initial pool principal (Rs. 53.39 crore), to be provided by PCHFL, would act as further CE in the transaction. In the event of a shortfall in meeting the promised payouts during any month, the trustee will utilise the CC to meet the same.

As per the transaction structure, the monthly promised cash flows for Series A SNs will comprise the payment of the scheduled Series A SNs principal and the interest payment to the subscribers of Series A SNs at the predetermined interest rate on the principal outstanding. The residual EIS (after meeting the scheduled SN payout and top-up of CC, if any, in any month) would flow back to the originator.

The pool consists of 1,810 HL contracts with future receivables of Rs. 1,037.70 crore (underlying principal of Rs. 444.90 crore). The weighted average seasoning of the pool remains high at ~11 months as on the pool cut-off date (April 30, 2023). The adequate borrower profile, with a substantial share of the loan contracts (~56%) having a CIBIL score of more than 750, provides comfort. However, the pool has high geographical concentration with the top-three states (Maharashtra, Telangana and Karnataka) contributing ~64% to the initial pool principal amount. Moreover, it has contracts with a floating rate with the Securitisation Notes (SN) yield is linked to an external benchmark, while interest rate on the underlying loans is floating. Hence, the transaction is exposed to basis risk and any downward movement in the benchmark yield will reduce the EIS available in the transaction. Also, the pool's performance would remain exposed to any macroeconomic shocks/business disruptions.

Past rated pools: ICRA has rated four transactions of PCHFL, backed by home loan receivables. The performance of the live pools has been strong with a cumulative collection efficiency of more than 99% and nil CC utilisation as of the October 2023 payout month.

Key rating assumptions

ICRA's cash flow modelling for rating mortgage-backed securitisation (MBS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the tenor of the pool) and prepayments in the pool. The assumptions for the loss and coefficient of variation (CoV) are arrived at after considering the past performance of the originator's portfolio and the rated pools as well as the 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 mean shortfall in principal collection during the tenure of the pool is estimated at 4.50-5.50%, with certain variability around it. The prepayment rate for the underlying pool is estimated at 6.0-20.0% per annum.

Liquidity position: Superior

The pool collections and the cash collateral available in the transaction are expected to be highly comfortable to meet the Series A SN investor payouts. Assuming a monthly collection efficiency of even 50% in the underlying pool contracts in a stress scenario, the credit collateral would cover the shortfalls in the securities payouts for a period of 32 months.

Rating sensitivities

Positive factors – Not applicable.

Negative factors – Any sustained weak collection performance of the underlying pool (monthly collection efficiency <90%) leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, could result in a rating downgrade.

Analytical approach

The rating action is based on the Trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

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

About the originator

Piramal Capital & Housing Finance Limited (PCHFL), a wholly-owned subsidiary of Piramal Enterprises Limited (PEL), is registered as a housing finance company with National Housing Bank (NHB) and is engaged in various financial services businesses. It provides both wholesale and retail funding opportunities across industries. PCHFL was incorporated in February 2017. It was formed as a 100% subsidiary of Piramal Finance Ltd (PFL), which was a wholly-owned subsidiary of PEL. Until 2016, the financing portfolio was booked at PEL with limited operations at PFL. In FY2017, following a business restructuring, Rs. 13,706 crore of assets and Rs. 12,575 crore of liabilities were transferred to PFL from PEL.

In August 2017, PCHFL received a certificate for commencement for the housing finance business from NHB. Subsequently, PEL's board approved a scheme of amalgamation of PFL and Piramal Capital Ltd (PCL) into PCHFL. PCL was a subsidiary of PEL and had limited operations. The merger process was completed in July 2018 with effect from March 31, 2018. Post the merger, PCHFL became a wholly-owned subsidiary of PEL.

Further, as per the resolution plan approved by the National Company Law Tribunal (NCLT), the existing liabilities of Dewan Housing Finance Corporation Limited (DHFL) were discharged by the erstwhile PCHFL and a consideration of Rs. 34,250 crore (comprising upfront cash of Rs. 14,700 crore and issuance of debt instruments of Rs. 19,550 crore) was paid to DHFL's creditors. The erstwhile PCHFL was reverse merged with DHFL with effect from September 30, 2021, and the amalgamated entity (DHFL) was renamed Piramal Capital & Housing Finance Limited.

In 2022, the Group underwent restructuring with the pharma business within PEL being carved out into a new entity – PPL. Further, PHL Fininvest Limited was merged into PEL; thus, PEL is now a non-banking financial company (NBFC) with PCHFL as its 100% subsidiary.

In the real estate segment, the platform provides housing finance and other financing solutions across the entire capital stack such as structured debt, construction finance, flexi lease rental discounting, etc. PCHFL also offers customised financing solutions to the hospitality sector.

The wholesale business in the non-real estate sector includes separate verticals – Corporate Finance (CFG) and Emerging Corporate Lending (ECL). CFG provides customised funding solutions to companies across sectors such as infrastructure, renewable energy, industrials, auto components, etc, while ECL focuses on providing funds to small and medium enterprises.

PCHFL's Group companies provide customised strategies to institutional and retail investors that include Mumbai Redevelopment Fund and Apartment Fund (through Piramal Fund Management) and strategic partnerships with leading global pension funds such as Canadian Pension Plan Investment Board (CPPIB), APG and Ivanhoe Cambridge.

Key financial indicators (Audited)

	FY2021	FY2022	FY2023
Total income	5,088	6,187	6,650
Profit after tax	1,034	526	-7,425
Assets under management	32,353	52,044	50,427
Gross non-performing assets (NPA)	3.5%	2.3%	3.5%
Net NPA	1.9%	1.2%	1.9%

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

<table>
<tr><th rowspan="3"></th><th rowspan="3">Trust Name</th><th colspan="5">Current Rating (FY2024)</th><th colspan="3">Chronology of Rating History for the Past 3 Years</th></tr>
<tr><th rowspan="2">Instrument</th><th rowspan="2">Amount Rated (Rs. crore)</th><th rowspan="2">Amount Outstanding (Rs. crore)</th><th colspan="2">Date & Rating in FY2024</th><th>Date & Rating in FY2023</th><th>Date & Rating in FY2022</th><th>Date & Rating in FY2021</th></tr>
<tr><th>December 04, 2023</th><th>May 25, 2023*</th><th>-</th><th>-</th><th>-</th></tr>
<tr><td>1</td><td>Nirvana Trust May 2023</td><td>Series A SNs</td><td>444.90</td><td>444.90</td><td>[ICRA]AAA(SO)</td><td>Provisional [ICRA]AAA(SO)</td><td>-</td><td>-</td><td>-</td></tr>
</table>

**Provisional Rating Assigned*

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Nirvana Trust May 2023	**Series A SNs**	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 I: Instrument details

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Nirvana Trust May 2023	Series A SNs	May 2023	8.70%^	December 2047	444.90	[ICRA]AAA(SO)

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

^Floating, linked to 3M-I-MCLR

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

ANALYST CONTACTS

Abhishek Dafria
+91 22 6114 3440
abhishek.dafria@icraindia.com

Anubhav Agrawal
+91 22 6114 3439
anubhav.agrawal@icraindia.com

Ekta Baheti
+91 22 6114 3423
ekta.baheti@icraindia.com

Sachin Joglekar
+91 22 61143470
sachin.joglekar@icraindia.com

Diptajyoti Banik
+91 22 6114 3412
diptajyoti.banik@icraindia.com

RELATIONSHIP CONTACT

Mr. 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