

January 30, 2024

Grihum Housing Finance Limited: Ratings upgraded for PTCs and SLF issued under a home loan securitisation transaction

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Amount O/s after Dec-23 Payout (Rs. crore)	Rating Action
MHFL SECURITISATION TRUST II	PTC Series A1	55.89	20.04	15.51	[ICRA]AAA(SO); Upgraded from [ICRA]AA(SO)
	PTC Series A2	2.79	1.00	0.77	[ICRA]AAA(SO); Upgraded from [ICRA]AA(SO)
	SLF**	3.08	1.79 ¹	1.79	[ICRA]BBB(SO); Upgraded from [ICRA]BBB-(SO)

*Instrument details are provided in Annexure I **Second loss facility

Rationale

The pass-through certificates (PTCs) are backed by a pool of home loan receivables originated by Grihum Housing Finance Limited (erstwhile Poonawalla Housing Finance Limited) (GHFL; rated [ICRA]A1+). The ratings upgrade takes into account of the high amortisation in the transaction, which has led to a significant build-up of the credit enhancement cover over the future PTC payouts. The ratings draw comfort from the fact that the breakeven collection efficiency is comfortable compared to the actual collection level observed in the pools till the December 2023 payout month.

Pool performance summary

A summary of the performance of the pool till December 2023 payout month has been tabulated below.

Parameter	MHFL SECURITISATION TRUST II
Months post securitisation	57
Pool Amortisation	71.71%
PTC Amortisation	72.25%
Cumulative collection efficiency ²	99.22%
Loss-cum-90+ (% of initial pool principal) ³	0.54%
Loss-cum-180+ (% of initial pool principal) ⁴	0.54%
Breakeven collection efficiency ⁵	67.07%
Cumulative credit collateral (CC) utilisation (% of initial CC)	0.00%
CC available (as % of balance pool principal)	21.58%
Excess interest spread (EIS) over balance tenure (as % of balance pool principal)	62.19%
Cumulative prepayment rate ⁶	58.56%

¹ CC reset carried out in April 2022

² Cumulative collections till date (including advance collections) / Cumulative billings till date + Opening overdues

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 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

⁶ POS at the time of prepayment of contracts prepaid till date / Initial pool principal

Key rating drivers

Credit strengths

- High amortisation of PTCs resulting in healthy build-up of credit enhancement in the transactions
- Healthy collections and low delinquencies observed in pool

Credit challenges

- PTC Yield for the pool is linked to an external benchmark while interest rate on the underlying loans is linked to originator's lending rate —which leads to a basis risk in the structure
- Performance of the pool would remain exposed to macro-economic shocks / business disruptions, if any

Description of key rating drivers highlighted above

The performance of the pool has been healthy with a cumulative collection efficiency of 99.2% till December 2023 payouts. Any shortfall in the collections has been absorbed by the EIS in the structure and there has been no CC utilisation in the transaction till the December 2023 payouts. An important feature of the structure of the transaction is that the yield on PTC Series A2 is residual, thereby extending further support to the transaction. The pool has seen healthy amortisation at 71.7% and thus, the CE has built up considerably with respect to the balance pool principal. The pool has seen higher prepayment with average monthly prepayment being ~1.5%. The PTC yield for the pool is linked to an external benchmark, while the interest rate on the underlying loans is linked to the originator's lending rate, leading to a basis risk in the structure. Also, the pool's performance would remain exposed to macroeconomic shocks/business disruptions, if any.

Overall, the credit enhancement available for meeting balance payouts to the investors is sufficient to upgrade the ratings from the current rating levels in the transactions. ICRA will continue to monitor the performance of the transaction. Any further rating actions will be based on the performance of the pool and the availability of credit enhancement relative to ICRA expectations.

Performance of past rated pools: ICRA had rated five transactions of GHFL, backed by home loan receivables. The performance of the live pools has been robust with a cumulative collection efficiency of more than 98%, loss-cum-90+ of sub-2.5% and nil CC utilisation as of the December 2023 payout month.

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 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 expected to be in the range of 1.00-2.00% (as a % of initial pool principal) and 12.0-18.0%, respectively.

Liquidity position

For PTCs & SLF: Superior

The liquidity for the PTC instruments is expected to be superior after factoring in the credit enhancement available to meet the promised payouts to the investor. For SLF, the liquidity is superior after factoring in the FLF available for top up of SLF, if needed, as per the defined waterfall mechanism. The total credit enhancement would be greater than 10 times the estimated loss for the pool.

Rating sensitivities

Positive factors – Not applicable for PTCs. For SLF, sustained strong collection performance of the underlying pool contracts leading to lower than expected delinquency levels, and on an increase in the cover available for future investor payouts from the credit enhancement (CE).

Negative factors

Sustained weak collection performance of the underlying pool leading to higher than expected delinquency levels and CE utilization levels. Weakening in the credit profile of the servicer could also exert pressure on the rating.

Analytical approach

The rating action is based on the performance of the pool till December 2023 (payout month), the present delinquency profile of the pool, the CE 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 originator

GHFL is registered with National Housing Bank as a non-deposit taking housing finance company. It was initially promoted as GE Money Housing Finance by GE Capital Corporation. It was acquired by Magma Fincorp Limited (MFL) in February 2013. Following the acquisition of a controlling stake by the Adar Poonawalla-led Rising Sun Holdings Private Limited in MFL, the company was renamed Poonawalla Housing Finance Limited in July 2021. The name of the company has been changed from Poonawalla Housing Finance Limited to Grihum Housing Finance Limited.

GHFL provides housing loans, loan against property (LAP) and construction finance. Its assets under management stood at Rs. 6,289 crore as on March 31, 2023. On a standalone basis, GHFL reported a profit after tax of Rs. 115 crore on a total asset base of Rs. 6,289 crore in FY2023 against a profit after tax of Rs. 77 crore on a total asset base of Rs. 5,060 crore in FY2022. The company's reported gross and net stage 3 asset ratios stood at 0.8% and 0.4%, respectively, as on March 31, 2023 (1.0% and 0.6%, respectively, as on March 31, 2022).

Key financial indicators (audited; standalone)

GHFL	FY2021	FY2022	FY2023
Total income	472	470	716
Profit after tax	11	77	115
Assets under management	3,978	5,060	6,289
% Gross stage 3 assets (on-book)	1.6%	1.0%	0.8%
% Net stage 3 assets (on-book)	0.8%	0.6%	0.4%

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

Trust Name	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years			
	Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022		Date & Rating in FY2021
				Jan 30, 2024	Jan 25, 2023	Jan 18, 2022	Jun 24, 2021	Jun 18, 2020
MHFL SECURITISATION TRUST II	PTC Series A1	55.89	15.51	[ICRA]AAA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)
	PTC Series A2	2.79	0.77	[ICRA]AAA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)
	SLF	3.08	1.79	[ICRA]BBB(SO)	[ICRA]BBB-(SO)	[ICRA]BBB-(SO)	[ICRA]BBB-(SO)	[ICRA]BBB-(SO)

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
MHFL SECURITISATION TRUST II	PTC Series A1	Moderately Complex
	PTC Series A2	Moderately Complex
	SLF	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

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	MHFL SECURITISATION TRUST II	PTC Series A1	March 2019	Floating; Linked to 1-year MCLR of investor	April 2043	15.51	[ICRA]AAA(SO)
		PTC Series A2		Residual		0.77	[ICRA]AAA(SO)
		SLF		-		1.79	[ICRA]BBB(SO)

*Based on scheduled maturity of the pool's contracts; may change on account of prepayment and yield change. The weighted average life of the pool, after considering prepayments, is expected to be much lower at around 8-10 years

Annexure II: List of entities considered for consolidated analysis

Not applicable

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