

June 27, 2024

Piramal Capital & Housing Finance Limited: Rating reaffirmed for securitisation notes issued under mortgage loan securitisation transaction

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
Nirvana Trust March 2023	Series A SN	254.13	NA	184.36	[ICRA]AAA(SO); Reaffirmed

*Instrument details are provided in Annexure I

Rationale

The securitisation notes (SNs) are backed by home loan receivables originated by Piramal Capital & Housing Finance Limited {PCHFL/Originator; rated [ICRA]AA (Stable)}.

The rating reaffirmation factors in the healthy pool performance and the build-up of the credit enhancement cover over the future SN payouts on account of amortisation. The rating also draws comfort from the fact that the breakeven collection efficiency is lower compared to the actual collection level observed in the pool till the May 2024 payout month.

Pool performance summary

Parameter	Nirvana Trust March 2023
Payout month	May 2024
Months post securitisation	14
Pool amortisation (as % of initial pool principal)	27.46%
Series A SN amortisation	27.46%
Cumulative collection efficiency ¹	98.79%
Cumulative prepayment rate	24.94%
Loss-cum-30+ days past due (dpd ² ; % of initial pool)	4.35%
Loss-cum-90+ dpd ³ (% of initial pool)	0.74%
Loss-cum-180+ dpd ⁴ (% of initial pool)	0.23%
Cumulative cash collateral (CC) utilisation	0.00%
Breakeven collection efficiency ⁵ for Series A SN	72.33%
CC (% of balance pool)	15.17%
Excess interest spread (EIS; % of balance pool) for Series A SN ⁶	49.83%

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout and principal payout (100% of the pool principal billed). Any surplus excess interest spread (EIS), after meeting the promised payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of the Series A SN principal.

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 30 days, as a % of initial pool principal

³ Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 90 days, as a % of initial pool principal

⁴ Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 180 days, as a % of initial pool principal

⁵ (Balance cash flows payable to investor – CC available)/Balance pool cash flows

⁶ (Pool cash flows – Cash flows to Series A SN)/Pool principal outstanding

Key rating drivers and their description

Credit strengths

Healthy pool performance – The pool’s performance has been healthy with a cumulative collection efficiency of ~99% till the May 2024 payout month. This has resulted in low delinquencies in the pool with the 90+ days past due (dpd) and 180+ dpd at 0.74% and 0.23%, respectively. Although the 30+ dpd has increased moderately, it is expected to improve in the coming months. The breakeven collection efficiency has also declined to ~72%. Further, there have been no instances of cash collateral utilisation till date owing to the strong collection performance and the presence of EIS in the transaction.

Build-up in credit enhancement – The rating factors in the build-up in the credit enhancement with the cash collateral increasing to ~15% of the balance pool from 11% at the time of securitisation. Internal credit support is also available through the scheduled EIS of ~50%.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top 3 states comprising ~63% of the balance pool principal amount.

Exposed to basis risk – The yield for the SN is linked to an external benchmark (investor’s MCLR) while the interest rate on the underlying loans is floating (linked to PCHFL’s benchmark rate), leading to basis risk in the structure.

Risk associated with lending business – The pool’s performance would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans.

Key rating assumptions

ICRA’s cash flow modelling for rating securitisation transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator’s loan portfolio as well as the characteristics of the specific pool being evaluated. The resulting collections from the pool, after incorporating the impact of the losses and prepayments, are accounted for in ICRA’s cash flow model, in accordance with the cash flow waterfall of the transaction.

For the current pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 4.00%, with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 6.00% to 20.00% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final rating for the instrument.

Details of key counterparties

The key counterparties in the rated transaction are as follows:

Transaction Name	Nirvana Trust March 2023
Originator	Piramal Capital & Housing Finance Limited
Servicer	Piramal Capital & Housing Finance Limited
Trustee	Catalyst Trusteeship Limited
CC bank	ICICI Bank
Collection and payout account bank	ICICI Bank

Liquidity position: Superior

The liquidity for Series A SNs is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement for the transactions would be ~9.9 times the estimated losses in the pools.

Rating sensitivities

Positive factors – Not applicable

Negative factors – The rating could be downgraded on the sustained weak collection performance of the underlying pool of contracts (monthly collection efficiency of less than 90%), leading to higher-than-expected delinquency levels and credit enhancement utilisation 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 analysis of the performance of PCHFL's home loan portfolio till March 2024, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the credit enhancement cover available in the transaction.

Analytical Approach	
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), was incorporated in February 2017 and received a housing finance licence from National Housing Bank (NHB) in September 2017. The company provides real estate loans, housing finance, corporate loans, and emerging corporate loans across sectors. It has 343 branches spread across 25 states.

In January 2021, PCHFL had emerged as the successful resolution applicant for Dewan Housing Finance Corporation Limited (DHFL), which was undergoing insolvency and bankruptcy proceedings. As per the resolution plan approved by the National Company Law Tribunal (NCLT), DHFL's existing liabilities were discharged by 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. PCHFL was reverse merged with DHFL with effect from September 30, 2021, and the amalgamated entity was rechristened Piramal Capital & Housing Finance Limited.

On May 8, 2024, PEL announced that its board of directors (BoD) has approved a composite scheme of arrangement, whereby it would be reverse merged with PCHFL. The merged entity would be renamed Piramal Finance Limited (PFL). Further, PCHFL's BoD approved the conversion of the entity to a non-banking financial company - investment and credit company (NBFC-ICC) from a housing finance company (HFC). Accordingly, PCHFL will apply to the Reserve Bank of India (RBI) for an NBFC-ICC licence and will continue to operate as an HFC in the interim.

Key financial indicators (audited)

PCHFL (standalone)	FY2022	FY2023	FY2024
Total income	6,187	6,650	6,712
Profit after tax	526	-7,425	-1,911
Assets under management	52,044	50,427	53,696
Gross NPA	2.3%	3.5%	2.4%
Net NPA	1.2%	1.9%	1.0%
CRAR	22.0%	26.8%	21.6%

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	Instrument	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years			
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				Jun 27, 2024	Jul 20, 2023	Mar 27, 2023*	-
Nirvana Trust March 2023	Series A SN	254.13	184.36	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-

*Provisional rating assigned

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A SN	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 (p.a.p.m.)	Maturity Date	Amount Rated (Rs. crore)	Current Rating
Nirvana Trust March 2023	Series A SN	March 24, 2023	8.95%^	June 13, 2047	184.36	[ICRA]AAA(SO)

*^ Floating, linked to 3M-I-MCLR plus a fixed spread of 30 bps, to be reset quarterly
Source: Company*

Annexure II: List of entities considered for consolidated analysis

Not applicable

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About ICRA Limited:

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