

August 19, 2024

Piramal Capital & Housing Finance Limited (erstwhile Dewan Housing Finance Corporation Limited): Rating confirmed as final for SNs backed by home loan and top up linked loan receivables issued by Nirvana Trust June 2024

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Nirvana Trust June 2024	Series A SN	188.10	[ICRA]AAA(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

ICRA had assigned a provisional rating to the securitisation notes (SNs) issued by Nirvana Trust June 2024 under a securitisation transaction originated by Piramal Capital & Housing Finance Limited {PCHFL/Originator; rated [ICRA]AA(Stable)}. The SNs are backed by a pool of home loan (HL) and top linked loan receivables with an aggregate principal outstanding of Rs. 192.43 crore (pool receivables of Rs. 400.99 crore).

Since the executed 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.

Pool performance summary

Parameter	Nirvana Trust June 2024
Payout month	July 2024
Months post securitisation	1
Pool amortisation	1.23%
Series A SN amortisation	1.25%
Cumulative collection efficiency ¹	99.89%
Cumulative prepayment rate	0.87%
Loss-cum-0+ dpd ²	0.12%
Loss-cum-30+ dpd ³	0.00%
Loss-cum-90+ dpd ⁴	0.00%
Cumulative cash collateral (CC) utilisation	0.00%

¹ Cumulative collections including advances / (Cumulative billings + Opening overdues at the time of securitisation)

² Principal outstanding on contracts aged 0+ dpd / Principal outstanding on the pool at the time of securitisation

³ Principal outstanding on contracts aged 30+ dpd / Principal outstanding on the pool at the time of securitisation

⁴ Principal outstanding on contracts aged 90+ dpd / Principal outstanding on the pool at the time of securitisation

Transaction Structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout and principal payout (97.75% of the pool principal billed) to Series A SN. The balance principal (2.25% of the pool principal billed) is expected to be paid on a monthly basis until the maturity of Series A SN. 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 Series A SN principal.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 8.50% of the initial pool principal, to be provided by the Originator, (ii) subordination of 2.25% of the initial pool principal for Series A SN, and (iii) the EIS of 22.11% of the initial pool principal for Series A SN.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement: The pool is granular, consisting of 1,466 contracts, with top 10 contracts forming only ~5% of the pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of subordination, cash collateral (CC) and excess interest spread (EIS) would absorb some amount of the losses in the pool and provide support in meeting the SN payouts

No overdue contracts in the pool – The pool has been filtered in such a manner that there are no overdue contracts as on the cut-off date. Further, none of the contracts in the pool have ever been delinquent, which is a credit positive.

Healthy bureau score of borrowers – Around 73% of the borrowers (in terms of the principal amount outstanding on the cut-off date) in the pool have a CIBIL score of 750 and above, which reflects their relatively better credit profile.

Contracts backed by self-occupied residential properties – The pool is backed by self-occupied residential properties. Thus, borrowers tend to prioritise repayments towards such loans even during periods of financial stress.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz. Maharashtra, Telangana and Karnataka, contributing ~59% to the initial pool principal amount. The pool's performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

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

Risks associated with lending business – The pools' 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 prepayment 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 3.75%, with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 4.8% to 18.0% 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 June 2024
Originator	Piramal Capital & Housing Finance Limited	
Servicer	Piramal Capital & Housing Finance Limited	
Trustee	Catalyst Trusteeship Limited	
Cash collateral holding Bank	ICICI Bank	
Collection and payout account Bank	ICICI Bank	

Liquidity position: Strong

The liquidity for the SNs is strong after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement is 5.75 times the estimated loss in the pool.

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 (PCHFL) could also exert pressure on the rating.

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	
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. PCHFL 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 its wholly-owned subsidiary, 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 continue to operate as an HFC in the interim.

Key financial indicators

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

S. No.	Trust Name	Instrument	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years				
			Initial Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Date & Rating in FY2025		Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
					August 19, 2024	June 30, 2024			
1	Nirvana Trust June 2024	Series A SN	188.10	188.10	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Nirvana Trust June 2024	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	Current Rated Amount (Rs. crore)	Current Rating
Nirvana Trust June 2024	Series A SN	June 24, 2024	8.90%^	November 13, 2048	188.10	[ICRA]AAA(SO)

*^Floating, linked to 6M-I-MCLR (9.00%) minus a spread of 10 bps; to be reset semi-annually
Source: Company*

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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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.

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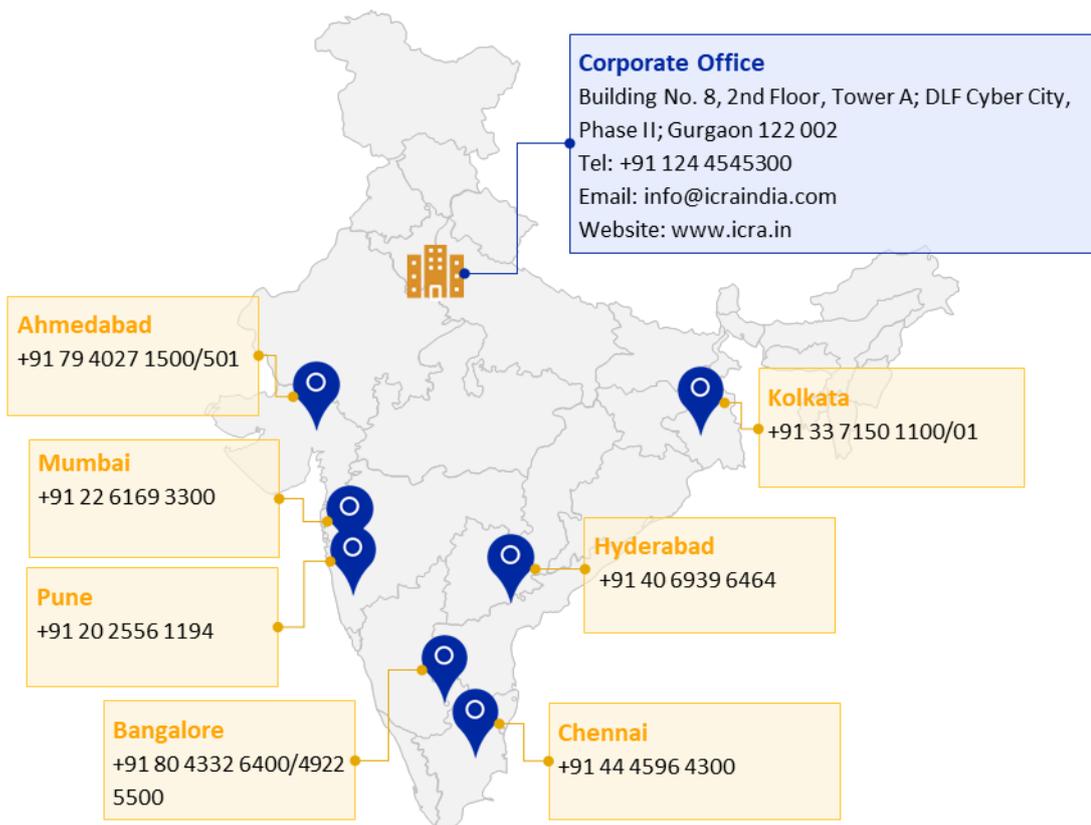
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