

August 23, 2024

Indostar Home Finance Private Limited: Rating reaffirmed for SNs issued under home loan and loan against property receivables securitisation transaction

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount after Previous Rating Exercise (Rs. crore)	Amount O/s after July 2024 Payout (Rs. crore)	Rating Action
Star HFC Trust Feb 2022	SN Series A	108.37	76.64	62.32	[ICRA]AAA(SO); Reaffirmed

*Instrument details are provided in Annexure I

Rationale

The securitisation notes (SNs) are backed by a pool of home loan and loan against property (LAP) receivables originated by Indostar Home Finance Private Limited (IHFP). The rating has been reaffirmed on account of the moderate amortisation of the pool, which has led to the build-up of the credit enhancement cover over the future SN payouts. The rating also draws comfort from the fact that the breakeven collection efficiency is much lower than the actual collection level observed in the pool till the July 2024 payout month.

Pool performance summary

Parameter	Star HFC Trust Feb 2022
Payout month	July 2024
Months post securitisation	29
Pool amortisation	42.5%
SN amortisation	42.5%
Cumulative collection efficiency ¹	99.4%
Loss-cum-90+ (% of initial pool principal) ²	0.9%
Loss-cum-180+ (% of initial pool principal) ³	0.7%
Breakeven collection efficiency ⁴	72.5%
Cumulative cash collateral (CC) utilisation (% of initial CC)	0.0%
CC available (as % of balance pool principal)	13.9%
Excess interest spread (EIS) over balance tenure (as % of balance pool principal)	52.3%
Cumulative prepayment rate ⁵	37.2%

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 and expected payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of SN Series A principal.

¹ Cumulative collections till date / Cumulative billings till date + 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 POS at the time of prepayment of contracts prepaid till date / Initial pool principal

Key rating drivers and their description

Credit strengths

Substantial credit enhancement available in the structure – The rating factors in the build-up of the credit enhancement with the cash collateral increasing to ~14% of the balance pool principal as of the July 2024 payout month from 8% at the time of securitisation. Internal credit support is also available through the scheduled EIS of ~52% of the balance pool principal.

Healthy pool performance – The performance of the pool has been strong with a cumulative collection efficiency of ~99% till the July 2024 payout month. This has resulted in low delinquencies in the pool with the 90+ days past due (dpd) remaining below 1% for all months until the July 2024 payout month.

Credit challenges

Exposed to basis risk – The SN yield for the transaction is linked to an external benchmark rate while the interest rate on the underlying loans of the pool is linked to the Originator's lending rate, leading to basis risk in the structure.

Risks 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 transaction 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 2.75% with certain variability around it. The average prepayment rate for the pool is modelled in the range of 6% to 20% 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	Star HFC Trust Feb 2022
Originator	Indostar Home Finance Private Limited
Servicer	Indostar Home Finance Private Limited
Trustee	IDBI Trusteeship Services Limited
CC bank	Kotak Mahindra Bank
Collection and payout account bank	ICICI Bank

Liquidity position: Superior

The liquidity for SN Series A is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be more than 10 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, leading to higher-than-expected delinquency levels and credit enhancement utilisation levels. Weakening in the credit profile of the servicer (IHFPL) could also exert pressure on the rating.

Analytical approach

The rating action is based on the performance of the pool till the July 2024 payout month (June 2024 collection month), the present delinquency profile of the pool, the credit enhancement available in the transaction, 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

Incorporated in January 2016, IHFPL is a housing finance company (HFC). It is a wholly-owned subsidiary of IndoStar Capital Finance Limited (IndoStar). IHFPL offers housing loans with a focus on the affordable housing segment, with ticket sizes ranging from Rs. 3 lakh to Rs. 30 lakh. The company reported a net profit of Rs. 44 crore on assets under management (AUM) of about Rs. 2,269 crore in FY2024 compared to Rs. 38 crore and Rs. 1,623 crore, respectively, in FY2023.

Key financial indicators

Particulars	FY2022	FY2023	FY2024	Q1 FY2025*
Total revenue	145	209	290	85
PAT	34	38	44	14
Gross loan book	1,406	1,623	2,269	2,395
Gross stage 3	1.8%	1.3%	1.1%	1.3%
CRAR	83.20%	80.5%	57.4%	56.2%

*Source: Company data, ICRA Research; Amount in Rs. crore; Financials for FY2022, FY2023 and FY2024 are audited; * Q1 FY2025 financials are unaudited*

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			
		Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				Aug 23, 2024	Aug 04, 2023	Aug 05, 2022	Mar 04, 2022
1 Star HFC Trust Feb 2022	SN Series A	108.37	62.32	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Star HFC Trust Feb 2022	SN Series A	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	Star HFC Trust Feb 2022	SN Series A	Feb 26, 2022	7.31*	Nov 13, 2048	62.32	[ICRA]AAA(SO)

Source: Company; * Floating; Linked to 1-year MCLR of investor + 0.06

Annexure II: List of entities considered for consolidated analysis

Not applicable

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