

September 30, 2024

## IIFL Home Finance Limited: Ratings reaffirmed for PTCs issued under mortgage loan securitisation transactions

### Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount after Previous Rating Exercise (Rs. crore)	Amount after Aug-24 Payout (Rs. crore)	Rating Action
Elite Mortgage HL Trust Sep 2016	PTC Series A	50.49	13.20	10.51	[ICRA]AAA(SO); reaffirmed
Elite Mortgage HL Trust Dec 2016	PTC Series A	44.32	10.91	8.14	[ICRA]AAA(SO); reaffirmed

\*Instrument details are provided in Annexure I

### Rationale

The pass-through certificates (PTCs) are backed by housing loan receivables originated by IIFL Home Finance Limited (IIFL; rated [ICRA]AA(Stable)/[ICRA]A1+) for both the pools. The ratings reaffirmation factors in the build-up of the credit enhancement cover over the future PTC payouts on account of the high pool amortisation and healthy performance of both pools. The ratings also draw comfort from the fact that the breakeven collection efficiency is lower than the actual collection level observed in the pools till the August 2024 payout month.

### Pool performance summary

A summary of the performance of the pools till the July 2024 collection month has been tabulated below.

Parameter	Elite Mortgage HL Trust Sep 2016	Elite Mortgage HL Trust Dec 2016
Payout month	Aug-24	Aug-24
Months post securitisation	95	92
Pool amortisation	77.56%	80.63%
PTC amortisation	79.18%	81.64%
Cumulative collection efficiency <sup>1</sup>	99.53%	99.10%
Breakeven collection efficiency <sup>2</sup>	41.87%	40.92%
Loss-cum-90+ (% of initial pool principal) <sup>3</sup>	0.74%	1.45%
Loss-cum-180+ (% of initial pool principal) <sup>4</sup>	0.74%	1.45%
Cumulative cash collateral (CC) utilisation (% of initial CC)	0.00%	0.00%
CC available (as % of balance pool principal)	51.27%	56.86%
Trapped EIS (as % of balance pool principal)	13.24%	17.48%
EIS over balance tenure (as % of balance pool)	52.21%	52.34%
Cumulative prepayment rate <sup>5</sup>	56.35%	60.74%

### Reset of credit enhancement

<sup>1</sup> Cumulative collections till date / Cumulative billings till date + Opening overdues

<sup>2</sup> It is the minimum collection efficiency required over the balance tenure to ensure all investor payouts are met: (Balance cash flows payable to investor – CC available – Trapped EIS) / Balance pool cash flows

<sup>3</sup> POS on contracts aged 90+ dpd + Overdues / Initial POS on the pool

<sup>4</sup> POS on contracts aged 180+ dpd + Overdues / Initial POS on the pool

<sup>5</sup> Principal outstanding at the time of prepayment of contracts prepaid till date / Initial pool principal

At the request of the originator for resetting the credit enhancement, ICRA has analysed for both the transactions at a CC of 15.38% and 17.06% of the balance pool principal (i.e. Rs. 1.74 crore and Rs. 1.46 crore) for Elite Mortgage HL Trust Sep 2016 and Elite Mortgage HL Trust Dec 2016 pools respectively; against the currently available CC of 51.27% and 56.86%, respectively; of the balance pool principal (after August 2024 payouts). Based on the pool's performance, the rating will remain unchanged even after the reset of the CC amount. The CC reset shall be subject to the approval of the PTC investors. However, as per the regulatory guidelines, the amount of the CC that can be released would be restricted to 60% of the difference between the current CC amount and revised CC amount allowed by ICRA.

## Transaction Structure

For Elite Mortgage HL Trust Sep 2016 transaction, as per the transaction structure, the monthly cashflow schedule comprises the promised interest payout and principal payout (100% of the pool principal billed). The EIS, after meeting promised PTC payouts and top up of CC, if any, is retained in the structure (up to 3% of initial pool principal) as fixed deposit with a lien marked in favour of the trustee. This trapped EIS is available to the investors in case of any shortfall in collections from the underlying contracts. Any residual EIS after this, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of PTC Series A principal. As of August 2024 payout, the trapped EIS stands at 3% of the initial pool principal.

For Elite Mortgage HL Trust Dec 2016 transaction, as per the transaction structure, the monthly cashflow schedule comprises the promised interest payout and principal payout (100% of the pool principal billed). The EIS, after meeting promised PTC payouts and top up of CC, if any, is retained in the structure (up to 3.4% of initial pool principal) as fixed deposit with a lien marked in favour of the trustee. This trapped EIS is available to the investors in case of any shortfall in collections from the underlying contracts. Any residual EIS after this, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of PTC Series A principal. As of August 2024 payout, the trapped EIS stands at 3.4% of the initial pool principal.

## Key rating drivers and their description

### Credit strengths

**Healthy pool performance** – Performance of the pools has been healthy with cumulative collection efficiency of ~99% which has resulted in low delinquencies in the pool i.e., 90+ days past due (dpd) of 0.8% of initial pool principal as on August 2024 payout month for Sep-16 pool and 1.5% of initial pool principal as on August 2024 payout month for Dec-16 pool. The break-even collection efficiency is also low compared to the collection efficiency observed for both the pools.

**Substantial credit enhancement available in the structure** – The rating factors in the build-up in the credit enhancement with cash collateral increasing to ~51% of the balance pool principal for Sep-16 pool and ~57% of the balance pool principal for Dec-16 pool. Further, there have been no instances of cash collateral utilisation till date owing to strong collection performance and presence of trapped EIS and EIS in both the pools.

**Contracts backed by residential properties** – All the contracts in the pool are backed by residential properties. This is expected to support the quality of the pool as it has been observed that borrowers tend to prioritise repayments towards such loans even during financial stress.

### Credit challenges

**Exposed to basis risk** – Both the transactions are exposed to basis risk as the underlying pools have floating rate loans linked to IIFL Home's lending rate, whereas the yield on the PTCs is floating and linked to an external benchmark.

**Risk associated with lending business** – The pool 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 Elite Mortgage HL Trust Sep 2016 and Elite Mortgage HL Trust Dec 2016 pools, ICRA has estimated the shortfall in the pool principal collection during its tenure at 1.0% and 1.0% of the initial pool principal respectively with certain variability around it. The average prepayment rate for both the underlying pools is modelled in the range of 5% to 18% 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 ratings for the instruments.

### Details of Key counterparties

The key counterparties in the rated transactions are as follows:

Transaction Name	Elite Mortgage HL Trust Sep 2016	Elite Mortgage HL Trust Dec 2016
<b>Originator</b>	IIFL Home Finance Limited	IIFL Home Finance Limited
<b>Servicer</b>	IIFL Home Finance Limited	IIFL Home Finance Limited
<b>Trustee</b>	IDBI Trusteeship Services Limited	IDBI Trusteeship Services Limited
<b>CC holding bank</b>	ICICI Bank	ICICI Bank
<b>Trapped EIS Bank</b>	ICICI Bank, IDFC First Bank	ICICI Bank
<b>Collection and payout account bank</b>	ICICI Bank	ICICI Bank

### Liquidity position: Superior for Sep-16 pool

The liquidity for PTC Series A is superior after factoring in the credit enhancement available to meet the promised payout to the investors. The total credit enhancement is greater than 10 times the estimated loss in the pool.

### Liquidity position: Superior for Dec-16 pool

The liquidity for PTC Series A is superior after factoring in the credit enhancement available to meet the promised payout to the investors. The total credit enhancement is greater than 10 times the estimated loss in the pool.

### Rating sensitivities

**Positive factors** – Not applicable

**Negative factors** – The sustained weak collection performance of the underlying pools, leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a rating downgrade. Weakening in the credit profile of the servicer (IIFL Home) could also exert pressure on the rating of the pools.

## Analytical approach

The rating action is based on the performance of the pools till July 2023 (collection month), the present delinquency profile of the pool, the credit enhancement available in the pool, and the performance expected over the balance tenure of the pool.

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

## About the originator

IIFL Home Finance Limited is a subsidiary of IIFL Finance Limited and registered with National Housing Bank (NHB) as a housing finance company. Incorporated in 2006, it offers home loans, loan against property and construction finance loans. IIFL Home Finance Limited's reported a PAT of Rs. 1,027 crore on total AUM of Rs. 35,499 crore in FY2024 as compared to PAT of Rs. 790 crore on a total AUM of Rs. 28,512 crore in FY2023. It has a branch network of 389 branches in 20 states/union territories.

## Key financial indicators (standalone) (audited)

IIFL Home Finance Limited	FY2022	FY2023	FY2024
Total income	2,218	2,702	3,294
Profit after tax	578	790	1,027
Asset under management (AUM)	23,617	28,512	35,499
Gross stage 3	2.1%	2.2%	1.5%
CRAR	30.5%	47.3%	42.8%

Source: Company & ICRA Research; Amount in Rs. crore

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

Sr. No.	Trust Name	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years			
		Instrument	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	
					September 30, 2024	September 28, 2023	September 20, 2022	October 29, 2021	
1	Elite Mortgage HL Trust Sep 2016	PTC Series A	50.49	10.51	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	

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		Instrument	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	
					September 30, 2024	September 28, 2023	October 25, 2022	October 29, 2021	
2	Elite Mortgage HL Trust Dec 2016	PTC Series A	44.32	8.14	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	

### Complexity level of the rated instrument

Sr. No.	Name	Instrument	Complexity Indicator
1	Elite Mortgage HL Trust Sep 2016	PTC Series A	Moderately Complex
2	Elite Mortgage HL Trust Dec 2016	PTC 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	Elite Mortgage HL Trust Sep 2016	PTC Series A	September 30, 2016	8.25%*	October 20, 2045	10.51	[ICRA]AAA(SO)
NA	Elite Mortgage HL Trust Dec 2016	PTC Series A	December 30, 2016	8.10%*	January 20, 2050	8.14	[ICRA]AAA(SO)

Source: Company; \* Floating rate linked to 1 year MCLR of ICICI Bank

**Annexure II: List of entities considered for consolidated analysis**

Not Applicable

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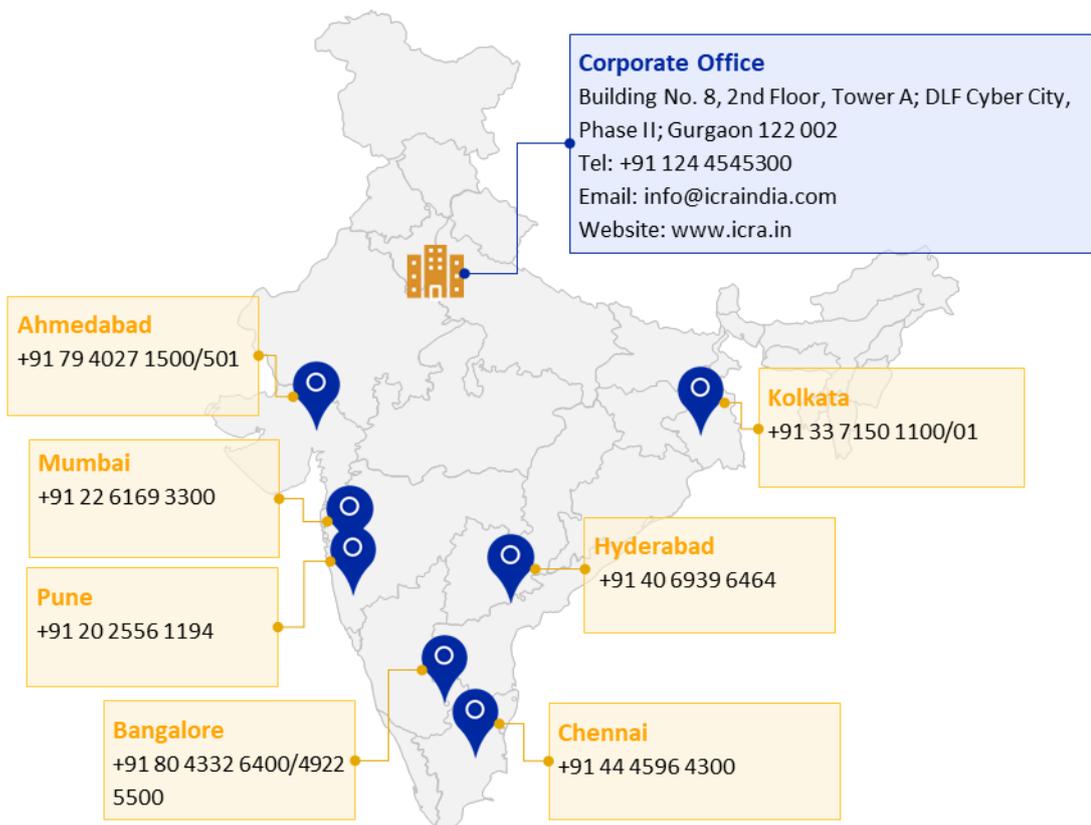
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