

November 28, 2024

Grihum Housing Finance Limited: Ratings reaffirmation for PTCs and SLF issued under home loan securitisation transactions

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount after Previous Rating Exercise (Rs. crore)	Amount O/s after Oct-24 Payout (Rs. crore)	Rating Action
MHFL SECURITISATION TRUST III	PTC Series A1	63.26	19.68	15.22	[ICRA]AA(SO); Reaffirmed
	PTC Series A2	2.29	0.71	0.55	[ICRA]AA(SO); Reaffirmed
	Second Loss Facility	3.93	3.93	2.28 ¹	[ICRA]BBB-(SO); Reaffirmed
MHFL SECURITISATION TRUST IV	PTC Series A1	34.99	12.76	10.47	[ICRA]AA(SO); Reaffirmed
	PTC Series A2	1.27	0.46	0.38	[ICRA]AA(SO); Reaffirmed
	Second Loss Facility	2.36	2.36	1.37 ¹	[ICRA]BBB-(SO); Reaffirmed

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by pools of home loan receivables originated by Grihum Housing Finance Limited (GHFL (erstwhile Poonawalla Housing Finance Limited)/Originator; rated [ICRA]A1+). The ratings have been reaffirmed on account of the healthy collection efficiency and high amortisation in the transaction, which has led to 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 pool till the October 2024 payout month.

Pool performance summary

Parameter	MHFL SECURITISATION TRUST III	MHFL SECURITISATION TRUST IV
Payout month	Oct-24	Oct-24
Months post securitisation	67	63
Pool amortisation	75.20%	68.59%
PTC amortisation	75.94%	70.07%
Cumulative collection efficiency ²	99.56%	99.99%
Loss-cum-90+ dpd (days past due) (% of initial pool principal) ³	0.97%	0.76%
Loss-cum-180+ dpd (% of initial pool principal) ⁴	0.97%	0.76%
Breakeven collection efficiency ⁵ for PTCs	65.36%	66.09%
Cumulative credit collateral (CC) utilisation (% of initial CC)	0.00%	0.00%
CC available (as % of balance pool principal)	29.25%	24.02%

¹ CC reset has been carried out in December 2023

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

Parameter	MHFL SECURITISATION TRUST III	MHFL SECURITISATION TRUST IV
Excess interest spread (EIS) over balance tenure (as % of balance pool principal)	54.28%	70.61%
Cumulative prepayment rate ⁶	60.85%	60.06%

Transaction structure

As per the transaction structure, the trust has issued two series of PTCs. The promised cash flows consist of the monthly interest to PTC Series A1 and 100% of the monthly principal (to be split between PTC Series A1 and PTC Series A2, basis their share). PTC Series A2 does not have any promised yield. All prepayments would be passed on to the PTC investors (to be split between PTC Series A1 and PTC Series A2, basis their share). The excess interest spread (EIS) would be passed on to the PTC Series A2 investor as the residual yield. The credit collateral (CC) for the transaction would be split into an unrated first loss facility (FLF) and a rated second loss facility (SLF).

Key rating drivers and their description

Credit strengths

Substantial credit enhancement available in the structure – For MHFL SECURITISATION TRUST III, the ratings factor in the buildup in the credit enhancement with credit collateral (CC) increasing to 29.25% of the balance pool principal. Internal credit support is also available in the form of excess interest spread (EIS) of 54.28% of the balance pool principal. For MHFL SECURITISATION TRUST IV, the ratings factor in the buildup in the credit enhancement with credit collateral (CC) increasing to 24.02% of the balance pool principal. Internal credit support is also available in the form of excess interest spread (EIS) of 70.61% of the balance pool principal.

Healthy pool performance – Performance of both the pools has been strong with cumulative collection efficiency upwards of 99.5% till October 2024 payout month which has resulted in low delinquencies in the pool with the loss cum 90+ dpd of sub 1%. Further, there has been no instance of credit collateral utilisation for the pool till date owing to strong collection performance and presence of EIS.

Credit challenges

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

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 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.

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

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. After making these adjustments, the expected mean shortfall in principal collection and prepayments during the balance tenure of the pools are provided in the following table.

S. No.	Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
1	MHFL SECURITISATION TRUST III	1.00%	5-18% p.a.
2	MHFL SECURITISATION TRUST IV	1.25%	5-18% p.a.

Details of key counterparties

The key counterparties in the rated transactions are as follows:

Transaction Name	MHFL SECURITISATION TRUST III	MHFL SECURITISATION TRUST IV
Originator	GHFL	GHFL
Servicer	GHFL	GHFL
Trustee	IDBI Trusteeship Services Limited	IDBI Trusteeship Services Limited
FLF holding bank	DCB Bank	DCB Bank
SLF holding bank	DCB Bank	DCB Bank
Collection and payout account bank	ICICI Bank	ICICI Bank

Liquidity position: Superior

The liquidity for PTCs is 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 – Sustained strong collection performance of the underlying pools leading to lower-than-expected delinquency levels, and on an increase in the cover available for future investor payouts from the credit enhancement.

Negative factors – Sustained weak collection performance of the underlying pools leading to higher than expected delinquency levels and credit enhancement utilization levels. Weakening in the credit profile of the servicer (GHFL) could also exert pressure on the ratings.

Analytical approach

The rating action is based on the performance of the pool till October 2024 (payout 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	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the Originator

Grihum Housing Finance Limited is a housing finance company registered with the Reserve Bank of India (RBI). The company provides home loans and loan against property in the affordable housing finance segment. It had a presence in 18 states/UTs in India through a network of more than 200 branches as on June 30, 2024. The company reported assets under management (AUM) of Rs. 8,727 crore as on June 30, 2024 while catering to more than 80,000 customers with an average ticket size of Rs. 10 lakhs.

TPG, through Perseus SG Pte Ltd. (Perseus), had acquired a 99.02% stake in the company on July 26, 2023. TPG is a global investment firm with ~\$229 billion in AUM as of March 31, 2024. Perseus is advised and managed by TPG Capital (S) Pte. Ltd., which holds a capital markets services licence issued by the regulatory authority – the Monetary Authority of Singapore (MAS). TPG Asia Fund VIII ultimately holds the entire equity interest in Perseus. TPG Asia Fund VIII is one the several funds advised or managed by TPG and has a current fund size of \$8 billion and a fund life of 10 years.

Key financial indicators (audited)

	FY2023	FY2024	Q1 FY2025*
Total income	716	1,046	306
PAT	115	140	46
Total managed assets	6,289	8,277	10,023
Gross stage 3/ GNPA	0.8%	1.0%	1.2%
CRAR	34.8%	47.3%	44.8%

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations and estimates; Amount in Rs. crore

PAT – Profit after tax; CRAR – Capital to risk-weighted assets ratio

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

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
				Nov 28, 2024	Nov 24, 2023	Apr 17, 2023	Apr 01, 2022	Jun 24, 2021
MHFL SECURITISATION TRUST III	PTC Series A1	63.26	15.22	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)
	PTC Series A2	2.29	0.55	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)
	Second Loss Facility	3.93	2.28	[ICRA]BBB-(SO)	[ICRA]BBB-(SO)	[ICRA]BBB-(SO)	[ICRA]BBB-(SO)	[ICRA]BBB-(SO)

Trust Name	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years				
	Instrument	Initial Amount Rated	Current Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023		Date & Rating in FY2022
				Nov 28, 2024	Nov 24, 2023	Aug 28, 2023	Aug 25, 2022	Jun 20, 2022	Jun 24, 2021

		(Rs. crore)							
MHFL SECURITISATION TRUST IV	PTC Series A1	34.99	10.47	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)
	PTC Series A2	1.27	0.38	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)
	Second Loss Facility	2.36	1.37	[ICRA]BBB-(SO)	[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 III	PTC Series A1	Moderately Complex
	PTC Series A2	Moderately Complex
	Second Loss Facility	Moderately Complex
MHFL SECURITISATION TRUST IV	PTC Series A1	Moderately Complex
	PTC Series A2	Moderately Complex
	Second Loss Facility	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 III	PTC Series A1	March 29, 2019	Floating; Linked to 1-year MCLR of investor	March 22, 2041	15.22	[ICRA]AA(SO)
		PTC Series A2		Residual		0.55	[ICRA]AA(SO)
		Second Loss Facility		-		2.28	[ICRA]BBB-(SO)
NA	MHFL SECURITISATION TRUST IV	PTC Series A1	July 26, 2019	Floating; Linked to 1-year MCLR of investor	June 15, 2043	10.47	[ICRA]AA(SO)
		PTC Series A2		Residual		0.38	[ICRA]AA(SO)
		Second Loss Facility		-		1.37	[ICRA]BBB-(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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