December 31, 2024

Piramal Capital & Housing Finance Limited: Provisional [ICRA]AA+(SO) assigned to PTCs backed by personal loan receivables issued by Ved Trust PTC Dec 2024

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Ved Trust PTC Dec 2024	Series A1 PTCs	68.07	Provisional [ICRA]AA+(SO); Assigned

**Instrument details are provided in Annexure I*

Rating in the absence of the pending actions/documents	No rating would have been assigned as it would not be meaningful

Rationale

The pass-through certificates (PTCs) are backed by a pool of personal loan receivables originated by Piramal Capital & Housing Finance Limited {PCHFL; rated [ICRA]AA (Stable)} with an aggregate principal outstanding of Rs. 68.02 crore (pool receivables of Rs. 102.61 crore). PCHFL would be the servicer for the transaction.

The provisional rating is based on the strength of the cash flows from the selected pool of contracts, the credit enhancement available in the structure as well as the integrity of the legal structure. The rating is subject to the fulfilment of all the conditions under the structure and ICRA's review of the documentation pertaining to the transaction.

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout. The principal is expected to be paid on a monthly basis (92% of the pool principal billed) but is promised on the final maturity date. 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 the Series A1 PTC principal.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 10.00% of the initial pool principal to be provided by the Originator, (ii) subordination of 8.00% of the initial pool principal for Series A1 PTCs, and (iii) the EIS of 19.21% of the initial pool principal for Series A1 PTCs.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The pool is granular, consisting of 1,934 contracts, with the top 10 contracts forming 1.34% of the pool principal, reducing the exposure to any single borrower. The credit enhancement available in the form of subordination, CC and EIS would absorb a part of the losses in the pool and provide support in meeting the Series A1 PTC payouts.

No overdue contracts as on pool cut-off date – The pool has been filtered in such a manner that there were no overdue contracts as on the cut-off date. Further, none of the contracts in the pool have been delinquent since origination.

Healthy credit bureau score of borrowers; high share of salaried borrowers – All the borrowers in the pool have a minimum CIBIL score of 715 and ~57% have a CIBIL score of at least 750, which reflects their relatively better credit profile. Further, all the borrowers in the pool are salaried professionals, alleviating the risk to some extent, given the steady cash flows of such borrowers vis-à-vis self-employed borrowers.

Adequate servicing capability of originator – The company has adequate processes for servicing the loan accounts in the securitised pool. It has established systems for collections and recoveries across a wide geography.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz. Maharashtra, Andhra Pradesh, and Tamil Nadu, contributing ~51% 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.

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. The pool is exposed to the inherent credit risk associated with the unsecured nature of the asset class. Moreover, recoveries from delinquent contracts tend to be lower in this segment.

Key rating assumptions

ICRA's cash flow modelling for the rating of 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 5.25%. The average prepayment rate for the underlying pool is modelled in the range of 4.80% to 18.00% 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.

Liquidity position: Strong

The liquidity for the PTC instrument is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be 5.25 times the estimated loss in the pool.

Rating sensitivities

Positive factors – The rating could be upgraded on the strong collection performance of the underlying pool (monthly collection efficiency of more than 95%) on a sustained basis, leading to the build-up of the credit enhancement cover for the remaining payouts.

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 personal loans portfolio till September 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

Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned rating is provisional and would be converted into a final rating upon the execution of:

1. Trust deed
2. Assignment agreement
3. Power of Attorney
4. Legal opinion
5. Trustee letter
6. Chartered Accountant's know your customer (KYC) certificate
7. Any other documents executed for the transaction

Validity of the provisional rating

The trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at www.icra.in.

About the originator

The erstwhile Piramal Capital & Housing Finance Limited (PCHFL) was incorporated in February 2017 as a subsidiary of Piramal Finance Limited and received its housing finance licence from National Housing Bank (NHB) in September 2017. As per a scheme of amalgamation, Piramal Finance Limited and Piramal Capital Limited were merged with the erstwhile PCHFL, w.e.f. March 31, 2018, with PCHFL becoming a direct subsidiary of PCHFL. PCHFL provides real estate lending, housing finance, corporate lending, and emerging corporate lending across sectors. It has 508 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, Piramal Enterprises Limited (PEL) announced that its board of directors (BoD) has approved a composite scheme of arrangement, whereby it would reverse merge 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 has applied to the Reserve Bank of India (RBI) for an NBFC-ICC licence and will continue to operate as an HFC in the interim. The reverse merger would take place after PCHFL receives the NBFC-ICC licence.

Key financial indicators

PCHFL	FY2023	FY2024	H1 FY2025*
Accounting Standard	Ind-AS	Ind-AS	Ind-AS
Total income	6,650	6,712	3,501
Profit after tax	-7,425	-1,911	83#
Assets under management	50,427	53,696	61,066
Gross stage 3	3.50%	2.36%	3.43%
CRAR	26.80%	21.64%	19.0%

*Source: PCHFL and ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Limited review*
 # Includes Rs. 136 crore of regulatory provisions for alternative investment fund (AIF) made during the quarter; this is net of reversals and receipts

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 Rated Amount (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				December 31, 2024	-	-	-
Ved Trust PTC Dec 2024	Series A1 PTCs	68.07	68.07	Provisional [ICRA]AA+(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 PTCs	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 Amount Rated (Rs. crore)	Current Rating
Ved Trust PTC Dec 2024	Series A1 PTCs	December 25, 2024	9.90%	May 15, 2029	68.07	Provisional [ICRA]AA+(SO)

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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