

January 06, 2025

Reliance Commercial Finance Limited: Rating action taken for PTCs issued under seven mortgage loan securitisation transactions

Summary of rating action

Trust Name^	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/s after Previous Surveillance (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
RHF Indian Receivable Trust I 2016	PTC Series A	80.46	12.32	10.24	[ICRA]BBB(SO); removed from rating watch with developing implications; reaffirmed
RHF Indian Receivable Trust 2 2017	PTC Series A	85.50	16.28	13.76	[ICRA]A(SO); removed from rating watch with developing implications; upgraded from [ICRA]BBB(SO)
Indian Receivable Trust 2018 Series 3	PTC Series A	272.84	68.05	57.29	[ICRA]A(SO); reaffirmed
Indian Receivable Trust 2018 Series 4	PTC Series A	267.58	59.99	49.95	[ICRA]A(SO); reaffirmed
Indian Receivable Trust 2018 Series 7	PTC Series A	120.15	41.45	36.85	[ICRA]BBB(SO); reaffirmed
Indian Receivable Trust 2019 Series 1	PTC Series A	139.94	35.80	30.41	[ICRA]A(SO); reaffirmed
Indian Receivable Trust 2019 Series 2	PTC Series A	63.31	10.10	8.57	[ICRA]A+(SO); reaffirmed

^ In this release, the transactions are referred to as RHF 1 2016, RHF 2 2017, IRT 2018 3, IRT 2018 4, IRT 2018 7, IRT 2019 1, IRT 2019 2, respectively

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by mortgage loan receivables originated by Reliance Home Finance Limited (RHFL). The assets and liabilities of RHFL were transferred to Reliance Commercial Finance Limited (RCFL) following the Supreme Court order dated March 3, 2023, which approved the resolution plan submitted by Authum Investment & Infrastructure Limited (Authum) for RHFL. In October 2022, Authum acquired RCFL, making it a 100% subsidiary. Further, in July 2023, RCFL filed a demerger scheme to transfer its NBFC business to Authum. In May 2024, the National Company Law Tribunal (NCLT) approved the said demerger scheme effective October 1, 2023. The servicing of the loans in the pools is being carried out by ICICI Bank Limited ([ICRA]AAA (Stable)).

For RHF 1 2016 and RHF 2 2017, ICRA has received a confirmation from the trustees that the cash collateral (CC) provided by RHFL has been transferred to Authum and remains lien-marked to the trustees. Ratings for both these transactions are removed from rating watch in view of the completion of the FD transfer. Further, the rating for RHF 2 2017 is upgraded based on healthy pool performance, build-up in the credit enhancement and lower breakeven collection efficiency (BECC) compared to the monthly collection. The ratings for other transactions (RHF 1 2016, IRT 2018 3, IRT 2018 4, IRT 2018 7, IRT 2019 1 and IRT 2019 2) are reaffirmed based on the stable monthly collection trend observed in the pools until the November 2024 payout month.

The delinquency levels have varied with 90+dpd ranging between ~2% and 11% of initial pool principal across the pools. Although it has largely been stable in the last 12-month period. Given the high amortisation of the pools, the eventual losses are not expected to be materially higher than the current levels. The CC has been periodically utilised in some pools due to the relatively lower collection efficiency. Nonetheless, the available CC is still sufficient to meet intermittent shortfalls in collections.

Pool performance summary

Parameter	RHF I 2016	RHF 2 2017	IRT 2018 3	IRT 2018 4	IRT 2018 7	IRT 2019 1	IRT 2019 2
Payout Month	November 2024	November 2024	November 2024	November 2024	November 2024	November 2024	November 2024
Month post securitisation	98	92	73	72	71	70	70
PTC amortisation	87.3%	83.9%	79.0%	81.3%	69.3%	78.3%	86.5%
Pool Amortisation	86.4%	83.3%	77.9%	80.2%	67.8%	77.0%	85.4%
Cumulative collection efficiency ¹	97.9%	97.2%	96.2%	93.0%	90.9%	95.3%	100.7%
Monthly collection efficiency for last three months	99.2%	86.5%	83.6%	76.4%	75.8%	80.2%	87.3%
Cumulative prepayment	71.9%	66.8%	71.4%	72.2%	60.1%	70.5%	78.0%
Breakeven collection efficiency ²	42.4%	50.6%	58.6%	52.0%	62.8%	57.6%	36.7%
Loss-cum-90+ ³ (% of initial pool principal)	2.07%	3.60%	5.13%	6.80%	10.69%	4.81%	2.76%
Loss-cum-180+ ⁴ (% of initial pool principal)	1.85%	3.01%	4.59%	6.29%	9.41%	3.77%	2.29%
Cumulative CC utilisation (% of initial CC)	0.00%	0.00%	0.00%	1.45%	0.88%	0.00%	0.00%
CC available (as % of balance pool principal)	67.5%	50.8%	63.4%	66.6%	40.7%	58.6%	115.6%
Excess interest spread (EIS) over balance tenure (as % of balance pool)	63.3%	70.0%	68.0%	62.8%	73.7%	71.5%	67.5%

Transaction structure

For all transactions, 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 Authum on a monthly basis. Any prepayment in the pool would be used for the prepayment of PTC principal.

Key rating drivers and their description

Credit strengths

Build-up in credit enhancement - The ratings factor in the build-up in the credit enhancement with cash collateral increasing to a significantly high level as a percentage of the balance pool principal compared to 8.5% - 17% at the time of securitisation. Internal credit support is also available through high build-up in EIS.

Adequate servicing capability – For the mentioned transactions, the servicer (ICICI Bank) has an established track record in the lending business. It has established systems for collection and recovery across a wide geography.

Credit challenges

Moderate build-up of delinquencies, resulting in usage of cash collateral in some pools - The delinquency for some of the pools has built up to slightly higher levels. For IRT 2018 3 and IRT 2018 4, the 90+ dpd was 5.13% and 6.80%, respectively, while the 180+ dpd was 4.59% and 6.29%, respectively. For IRT 2018 7, the 90+ dpd and 180+ dpd losses are 10.69% and 9.41%,

¹ Cumulative collections till date / Cumulative billings till date plus opening overdues

² It is the minimum collection efficiency required over the balance tenure to ensure all assignee payouts are met: (Balance cash flows payable to assignee – Cash collateral available) / Balance pool cash flows

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

respectively, as of the November 2024 payout. Further, there has been consistent CC utilisation, although in the range of 1-2% of the initial CC, over the last few months for IRT 2018 4 and IRT 2018 7 transactions.

Exposed to basis risk – Yield for the PTCs is linked to an external benchmark (investor's MCLR) while the interest rate on the underlying loans is floating, leading to basis risk in the structure.

Risk associated with lending business – The pools' performance will remain exposed to macroeconomic 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 the rating of mortgage-backed securitisation (MBS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the tenor of the pool) and prepayments in the pool. 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.

After making these adjustments, the expected loss and prepayments during the balance tenure of the pool are provided in the following table.

Transaction Name	Expected Loss (% of initial pool principal) *	Prepayment
RHF I 2016	2.00%	6-20% p.a.
RHF 2 2017	3.00%	6-20% p.a.
IRT 2018 3	4.50%	6-20% p.a.
IRT 2018 4	6.25%	6-20% p.a.
IRT 2018 7	9.50%	6-20% p.a.
IRT 2019 1	3.75%	6-20% p.a.
IRT 2019 2	3.00%	6-20% p.a.

**with certain variability around it*

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 transactions are as follows:

Parameter	RHF I 2016	RHF 2 2017	IRT 2018 3	IRT 2018 4	IRT 2018 7	IRT 2019 1	IRT 2019 2
Originator	Reliance Home Finance Limited (RHFL)*						
Servicer	ICICI Bank						
Trustee	IDBI Trusteeship services Ltd						
CC bank	IDBI Bank	IDBI Bank	ICICI Bank				
Collection and payout account bank	ICICI Bank						

**Loans initially originated by RHFL*

Liquidity position:

Superior: For RHF 1 2016, RHF 2 2017, IRT 2019 1, IRT 2019 2. The liquidity for the PTC instruments is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be at 6.00-10.00 times the estimated loss in the pools for all transactions.

Strong: For IRT 2018 3, IRT 2018 4. The liquidity for the PTC instruments is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be at 3.25 – 5.25 times the estimated loss in the pools.

Adequate: For IRT 2018 7. The liquidity for the PTC instruments is adequate after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement is 3.00 times the estimated loss in the pool.

Rating sensitivities

Positive factors – The ratings could be upgraded on sustained strong collection performance of the underlying pool, reduction in delinquency levels and build-up in the credit enhancement available for PTC payouts.

Negative factors – Pressure on the ratings could emerge in the event of sustained weak collection performance of the underlying pools, leading to higher-than-expected delinquency levels and CE 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 performance of the pools till October 2024 (collection month), the present delinquency levels and the credit enhancement available in the pools, and the performance expected over the balance tenure of these pools.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About Reliance Commercial Finance Limited

Reliance Commercial Finance Limited (RCFL) was a part of Reliance Capital Limited (RCL). The entity started its commercial finance business in May 2007 and was primarily into secured lending space with a focus on equipment and property backed small and medium enterprise loans, loan against property, short term infrastructure loans and loans to microfinance institutions. Following the implementation of RCFL's resolution plan under the Reserve Bank of India (Prudential Framework or Resolution or Stressed Assets) Directions, 2019, RCL divested its stake in RCFL to Authum Investment and Infrastructure Limited (Authum) on October 14, 2022. At present, RCFL is a wholly owned subsidiary of Authum. RCFL has also taken over the assets and liabilities of Reliance Home Finance Limited (RHFL), which was the housing finance entity of the RCL Group, through a business transfer agreement, following the Supreme Court's approval order of the resolution plan submitted by Authum in March 2023.

Key financial indicators (audited) - RCFL

Particulars	FY2023	FY2024	H1 FY2025
Total Income	105	179	8
Profit after Tax	4,043	1,323	3
Total Assets	3,099	266	266
Networth	(3,249)	(364)	(367)
Gross Stage 3(%)	78.9%	0.0%	0.0%
Net Stage 3(%)	6.7%	0.0%	0.0%

*Amount in Rs. crore

About Authum Investment & Infrastructure Ltd

Authum Investment & Infrastructure Ltd (Authum) was incorporated in 1982 and is listed on Bombay Stock Exchange Limited. It is registered as a non-deposit-taking Systemically Important NBFC and has been primarily engaged in the business of providing loans and making investments/trading in shares and securities. In FY2023, the company acquired Reliance Commercial Finance Ltd and assets of Reliance Housing Finance Ltd, after receiving the letters of intent dated June 19, 2021, and July 15, 2021, under the inter-creditor agreement between lenders of RCFL and RHFL. This scheme of arrangement came into effect on October 14, 2022, following the resolution of liabilities on the books of RCFL. Consequently, RCFL became a wholly owned subsidiary of Authum, with effect from October 14, 2022, and the financial assets of RHFL were acquired by the company on March 29, 2023. Eventually, on May 10, 2024, the NCLT approved the demerger of RCFL's lending business and its absorption into Authum. RCFL remains a wholly owned subsidiary of Authum, retaining only its residual non-financial business. Authum has three subsidiaries namely, Authum Asset Management Company Private Limited (Authum AMC), Authum Real Estate Private Limited and RCFL. The license for Authum AMC was obtained in FY2024 and operations are yet to commence.

Key financial indicators (consol) – Authum

Particulars	FY2023	FY2024	H1 FY2025
Total income	483	2,522	2,535
Profit after tax	4,304	4,285	1,939
Total assets	6,900	11,621	13,987
Net worth	3,416	10,345	12,862

Source: Company; 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	
					Jan 06, 2025	Jan 31, 2024	May 22, 2023	Nov 24, 2022	May 17, 2022
1	RHF Indian Receivable Trust I 2016	PTC Series A	80.46	10.24	[ICRA]BBB(SO)	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&

& - The symbol implies that the rating is on Watch with Developing Implications

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	
					Jan 06, 2025	Jan 31, 2024	May 22, 2023	Nov 24, 2022	May 17, 2022
2	RHF Indian Receivable Trust 2 2017	PTC Series A	85.50	13.76	[ICRA]A(SO)	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&

& - The symbol implies that the rating is on Watch with Developing Implications

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	
					Jan 06, 2025	Jan 31, 2024	May 22, 2023	Nov 24, 2022	May 17, 2022
3	Indian Receivable Trust 2018 Series 3	PTC Series A	272.84	57.29	[ICRA]A(SO)	[ICRA]A(SO)	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&

& - The symbol implies that the rating is on Watch with Developing Implications

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	
					Jan 06, 2025	Jan 31, 2024	May 22, 2023	Nov 24, 2022	May 17, 2022
4	Indian Receivable Trust 2018 Series 4	PTC Series A	267.58	49.95	[ICRA]A(SO)	[ICRA]A(SO)	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&

& - The symbol implies that the rating is on Watch with Developing Implications

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	
					Jan 06, 2025	Jan 31, 2024	May 22, 2023	Nov 24, 2022	May 17, 2022
5	Indian Receivable Trust 2018 Series 7	PTC Series A	120.15	36.85	[ICRA]BBB(SO)	[ICRA]BBB(SO)	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&

& - The symbol implies that the rating is on Watch with Developing Implications

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	
					Jan 06, 2025	Jan 31, 2024	May 22, 2023	Nov 24, 2022	May 17, 2022
6	Indian Receivable Trust 2019 Series 1	PTC Series A	139.94	30.41	[ICRA]A(SO)	[ICRA]A(SO)	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&

& - The symbol implies that the rating is on Watch with Developing Implications

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	
					Jan 06, 2025	Jan 31, 2024	May 22, 2023	Nov 24, 2022	May 17, 2022
7	Indian Receivable Trust 2019 Series 2	PTC Series A	63.31	8.57	[ICRA]A+(SO)	[ICRA]A+(SO)	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&	[ICRA]BBB (SO)&

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
RHF Indian Receivable Trust I 2016	PTC Series A	Moderately Complex
RHF Indian Receivable Trust 2 2017	PTC Series A	Moderately Complex
Indian Receivable Trust 2018 Series 3	PTC Series A	Moderately Complex
Indian Receivable Trust 2018 Series 4	PTC Series A	Moderately Complex
Indian Receivable Trust 2018 Series 7	PTC Series A	Moderately Complex
Indian Receivable Trust 2019 Series 1	PTC Series A	Moderately Complex
Indian Receivable Trust 2019 Series 2	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

Trust Name	Instrument	Date of Issuance	Coupon Rate [#] (p.a.p.m)	Scheduled Maturity Date	Amount Rated (Rs. crore)	Current Rating
RHF Indian Receivable Trust I 2016	PTC Series A	Sep 30, 2016	7.65%	Aug 17, 2038	10.24	[ICRA]BBB(SO)
RHF Indian Receivable Trust 2 2017	PTC Series A	Mar 23, 2017	7.40%	Jan 12, 2039	13.76	[ICRA]A(SO)
Indian Receivable Trust 2018 Series 3	PTC Series A	Oct 23, 2018	10.05%	Jun 17, 2041	57.29	[ICRA]A(SO)
Indian Receivable Trust 2018 Series 4	PTC Series A	Nov 19, 2018	10.00%	Oct 17, 2042	49.95	[ICRA]A(SO)
Indian Receivable Trust 2018 Series 7	PTC Series A	Dec 21, 2018	10.00%	Nov 20, 2043	36.85	[ICRA]BBB(SO)
Indian Receivable Trust 2019 Series 1	PTC Series A	Jan 23, 2019	10.00%	Jan 20, 2043	30.41	[ICRA]A(SO)
Indian Receivable Trust 2019 Series 2	PTC Series A	Jan 23, 2019	10.00%	May 20, 2043	8.57	[ICRA]A+(SO)

[#] Variable; subject to change owing to change in benchmark rate

Source: Company

Annexure II: List of entities considered for consolidated analysis - Not Applicable

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About ICRA Limited:

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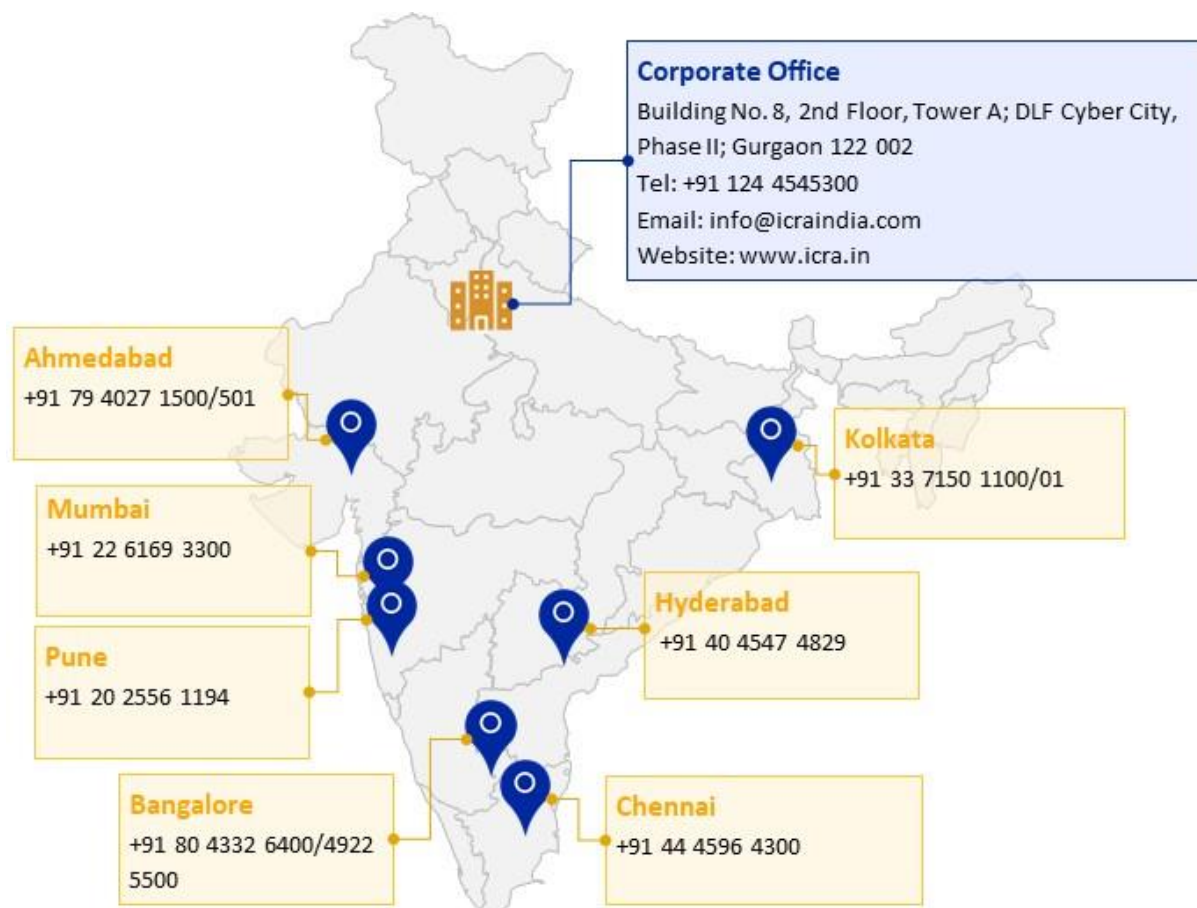


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