

February 28, 2025

## SMFG India Home Finance Company Limited (formerly Fullerton India Home Finance Company Ltd): Rating reaffirmed for PTCs issued under home loan securitisation transaction

### Summary of rating action

Trust name	Instrument*	Initial amount (Rs. crore)	Amount O/s after last surveillance (Rs. crore)	Amount O/s after Feb-25 payout (Rs. crore)	Rating action
HL PTC TRUST 01	Series A1 PTC	102.91	NA	64.46	[ICRA]AAA(SO); reaffirmed
	Series A2 PTC	5.42	NA	3.40	[ICRA]AAA(SO); reaffirmed

\*Instrument details are provided in Annexure I

### Rationale

The pass-through certificates (PTCs) are backed by home loan receivables originated by SMFG India Home Finance Company Limited (SMHFC/Originator). SMFG is the servicer for the rated transaction.

The rating reaffirmation factors in the build-up of the credit enhancement cover over the future PTC payouts on account of the high amortisation and healthy pool performance. The rating also draws comfort from the fact that the breakeven collection efficiency is lower than the actual collection level observed in the pool till the February 2025 payout month.

### Pool performance summary

Parameter	HL PTC TRUST 01
Payout month	February 2025
Months post securitisation	17
Pool amortisation	31.6%
PTC amortisation: Series A1 PTC	37.4%
Series A2 PTC	37.3%
Cumulative collection efficiency <sup>1</sup>	99.9%
Loss-cum-90+ (% of initial pool principal) <sup>2</sup>	0.1%
Loss-cum-180+ (% of initial pool principal) <sup>3</sup>	0.0%
Cumulative prepayment rate	26.8%
Breakeven collection efficiency <sup>4</sup> for Series A1 PTC	50.9%
Breakeven collection efficiency <sup>5</sup> for Series A2 PTC	53.1%
Cumulative cash collateral (CC) utilisation (% of initial CC)	0.0%
Cash collateral (CC) available (as % of balance pool principal)	10.2%
Excess interest spread over balance tenure (as % of balance pool) for Series A1 PTC	80.0%
Excess interest spread over balance tenure (as % of balance pool) for Series A2 PTC	80.0%

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

<sup>2</sup> POS on contracts aged 90+ dpd + Overdues / Initial POS on the pool

<sup>3</sup> POS on contracts aged 180+ dpd + Overdues / Initial POS on the pool

<sup>4</sup> Breakeven collection efficiency = Balance PTC A1 cash flows + PTC A2 interest – Cash collateral available / Balance pool cash flows

<sup>5</sup> Breakeven collection efficiency = Balance PTC A1 cash flows + Balance PTC A2 cash flows – Cash collateral available / Balance pool cash flows

## Transaction structure

As per the transaction structure for the pool, the monthly cash flow schedule comprises the promised interest payment to both Series A1 and Series A2 PTC on a pari-passu basis. During the tenure of the PTCs, the collections from the pool, after making the promised interest payouts, will be used to make the expected principal payouts to Series A1 PTCs (95% of the initial pool principal). However, this principal payout is not promised and any shortfall in making the expected principal payment to Series A1 PTC's would be carried forward to the subsequent payout. Post promised and expected payouts to Series A1 PTCs, the collections from the pool will be used to make the expected principal payouts to Series A2 PTC (5% of the initial pool principal). As in the case of principal payout to Series A1 PTC, the principal payout on Series A2 PTC is not promised till the final maturity date mentioned above and any shortfall in making the expected principal payment would be carried forward to the subsequent payout. Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, will be used for the prepayment of Series A1 PTC and Series A2 PTC principal in the ratio of 95:5. Any prepayment in the pool would be used for the prepayment of Series A1 PTC and Series A2 PTC principal in the ratio of 95:5.

## 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 cover with the cash collateral (CC) increasing to ~10% of the balance pool principal. Internal credit support is also available in the form of EIS.

**Healthy pool performance** – The pool's performance has been healthy with a cumulative collection efficiency of ~99% till the February 2025 payout month. This has resulted in low delinquencies in the pool with 90+ days past due (dpd) of 0.13%. Further, there has been no instance of CC utilisation in the pool till date owing to the strong collection performance and the presence of the EIS.

**Adequate servicing capability of SMHFC** – The company has adequate processes for the servicing of the loan accounts in the securitised pool. It has a demonstrated track record of regular collections and recoveries and has a presence in multiple geographies.

### Credit challenges

**High geographical concentration** – The pool has high geographical concentration with the top 3 states, viz. Rajasthan, Delhi and Gujarat, comprising ~60% of the balance 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.

**Exposed to basis risk** – The transaction is exposed to basis risk as the underlying pool has floating rate loans linked to SMHFC's lending rate whereas the yield on the 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.

For the current pool, ICRA has estimated the shortfall in the pool principal collection during their tenure at 3.00% of the initial pool principal 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	HL PTC TRUST 01
Originator	SMFG India Home Finance Company Limited
Servicer	SMFG India Home Finance Company Limited
Trustee	Catalyst Trusteeship Limited
CC holding bank	DBS Bank India Limited
Collection and payout account bank	DBS Bank India Limited

## Liquidity position: Superior

The liquidity for Series A1 PTC and Series A2 PTC is superior after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be greater than 10 times the estimated loss for the pool for both instruments.

## Rating sensitivities

**Positive factors** – Not applicable

**Negative factors** – Sustained weak collection performance of the underlying pool leading to higher-than-expected delinquency levels and credit enhancement utilization 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 pool till January 2025 (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

SMFG India Home Finance Company Limited (SMHFC) commenced operations in December 2015 with a focus on affordable home seekers. It caters to the underserved, aspiring lower-class and middle-class categories, offering home loans and loan against property in the affordable segment to salaried and self-employed professionals. SMHFC is a wholly-owned subsidiary of SMFG India Credit Company Limited (SMICC).

SMICC commenced operations in January 2006, catering primarily to self-employed borrowers. SMICC is fully owned by Sumitomo Mitsui Financial Group (SMFG) as on 31st March 24. SMICC's secured lending portfolio consists of mortgage loans to retail customers and small and medium enterprises (SMEs), commercial vehicle (CV) loans and secured rural loans such as two-wheeler loans, CV and mortgage loans. The unsecured portfolio comprises personal loans to salaried and self-employed individuals and group and individual loans in the rural space.

In FY2024, SMICC reported a consolidated net profit of Rs. 670 crore on a total asset base of Rs. 48,411 crore compared to a net profit of Rs. 710 crore on total assets of Rs. 40,845 crore in FY2023.

#### Key financial indicators (audited; consolidated)

SMICC	FY2022	FY2023	FY2024
Total income	4,093	5,714	8,083
Profit after tax	74	710	670
Total assets	27,244	40,845	48,411
Gross stage 3	6.7%	3.2%	2.5%
CRAR <sup>6</sup>	19.77%	21.33%	18.79%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; 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 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
					Feb 28, 2025	Feb 28, 2024	Oct 20, 2023	-	-
1	HL PTC TRUST 01	Series A1 PTC	102.91	64.46	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-
		Series A2 PTC	5.42	3.40	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-

#### Complexity level of the rated instrument

Name	Instrument	Complexity indicator
HL PTC TRUST 01	Series A1 PTC	Complex
	Series A2 PTC	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](#)

<sup>6</sup> Basis standalone SMICC data

### Annexure I: Instrument details

Trust name	Instrument type	Date of issuance	Coupon rate (p.a.p.m.)	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
HL PTC TRUST 01	Series A1 PTC	October 19, 2023	8.00%*	May 20, 2048	64.46	[ICRA]AAA(SO)
	Series A2 PTC				3.40	[ICRA]AAA(SO)

Source: Company; \* Floating rate

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

Not applicable

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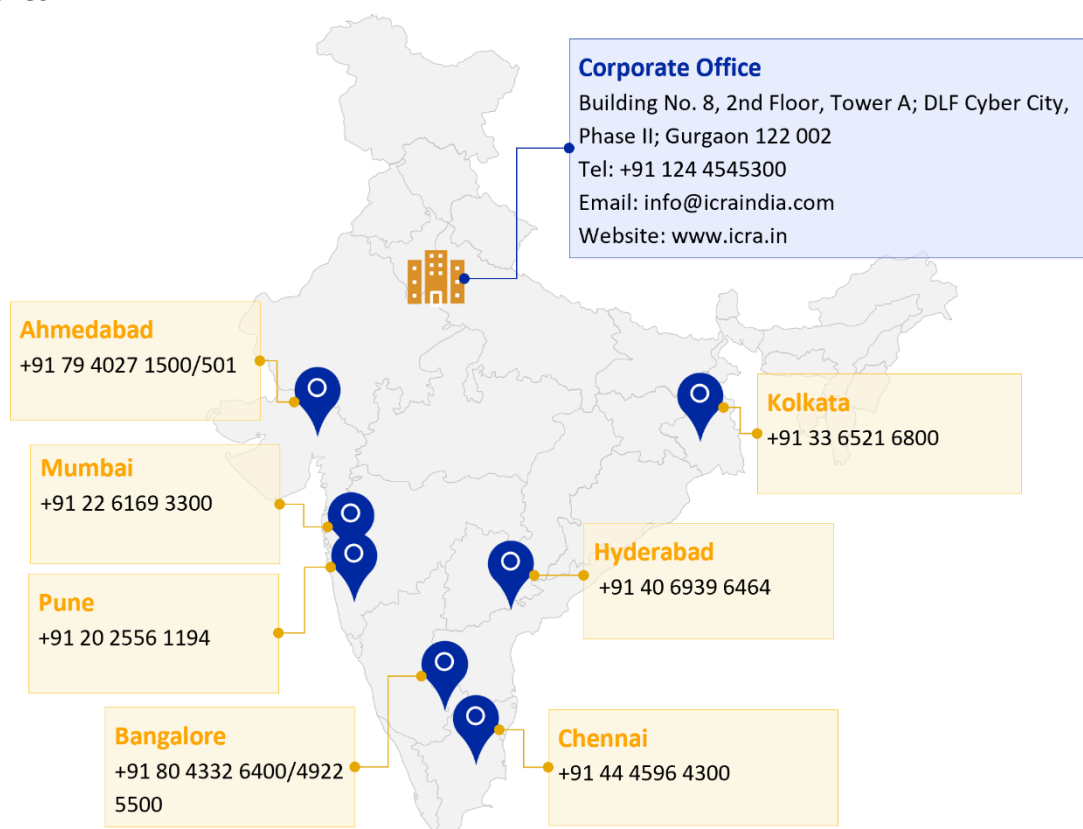


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