

March 18, 2025

## Nido Home Finance Limited: Rating confirmed as final for ABS backed by home loan receivables issued by HL Trust 27

### Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
HL Trust 27	Series A1 ABS	41.52	[ICRA]AAA(SO); provisional rating confirmed as final

\*Instrument details are provided in Annexure I

### Rationale

ICRA had assigned provisional rating to the asset-backed securities (ABS) issued by HL Trust 27 under a securitisation transaction originated by Nido Home Finance Limited {Nido/Originator; rated [ICRA]A+(Stable)} with an aggregate principal outstanding of Rs. 46.13 crore (pool receivables of Rs. 116.42 crore). Nido is also the servicer for the rated transaction.

Since the executed transaction documents are in line with the rating conditions and the legal opinion for the transaction has been provided to ICRA, the said rating has now been confirmed as final.

### Pool performance summary

Parameter	HL Trust 27
Payout month	February 2025
Months post securitisation	4
Pool amortisation	7.96%
Series A1 ABS amortisation	9.47%
Cumulative prepayment rate	7.27%
Cumulative collection efficiency <sup>1</sup>	98.47%
Loss-cum 0+ days past due (dpd) <sup>2</sup>	6.18%
Loss cum 30+ dpd <sup>3</sup>	0.88%
Loss cum 90+ dpd <sup>4</sup>	0.00%
Cumulative cash collateral utilisation	0.00%

### Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout and principal payout (90% of the pool principal billed). The balance principal (10% of the pool principal billed) is expected to be paid on a monthly basis until the maturity of Series A1 ABS. Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, would be passed on as the expected yield to Series A2 ABS (subordinated tranche held by the Originator). Any prepayment in the pool would be used for the prepayment of Series A1 ABS principal.

<sup>1</sup> Cumulative collections/ (Cumulative billings + Opening overdues at the time of securitisation)

<sup>2</sup> Principal outstanding on contracts aged 0+ dpd / Principal outstanding on the pool at the time of securitisation

<sup>3</sup> Principal outstanding on contracts aged 30+ dpd / Principal outstanding on the pool at the time of securitisation

<sup>4</sup> Principal outstanding on contracts aged 90+ dpd / Principal outstanding on the pool at the time of securitisation

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, amounting to Rs. 4.61 crore, provided by the Originator, (ii) subordination of 10.00% of the initial pool principal (Series A2 ABS held by Originator) for Series A1 ABS, and (iii) the EIS of 61.54% of the initial pool principal for Series A1 ABS.

## Key rating drivers and their description

### Credit strengths

**Granular pool supported by presence of credit enhancement** – The pool is granular, consisting of 244 contracts, with top 10 contracts forming ~21% of the pool principal), thereby reducing the exposure to any single borrower. Further, the credit enhancements available in the form of the CC, subordination and EIS would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts.

**No overdue contracts in the pool** – The pool has been filtered in such a manner that there are no overdue contracts as on the cut-off date. However, ~8% of the contracts in the pool have been delinquent up to 30 days in the preceding 12 months post the cut-off date.

**Contracts backed by self-occupied residential properties** – All the contracts in the pool are backed by self-occupied 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.

**Healthy bureau score of borrowers** – In the pool, 78% of the borrowers (in terms of the principal amount outstanding on the cut-off date) have a CIBIL score of 700 and above, which reflects their relatively better credit profile.

**Adequate servicing capability of Nido** – The company has an established track record in the lending business with adequate underwriting policies and collection procedures across a wide geography. It also has satisfactory processes for servicing the loan accounts in the securitised pool.

### Credit challenges

**High geographical concentration** – The pool has high geographical concentration with the top 3 states, viz. Maharashtra, Gujarat and Tamil Nadu, contributing ~62% 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.

**Exposed to interest rate risk** – The pool is exposed to interest rate risk as ~97% of the pool has floating rate loans while the yield on the securities is fixed.

**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 its tenure at 5.50% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 6.0% to 20.0% 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 is as follows:

Transaction Name	HL Trust 27
Originator	Nido Home Finance Limited
Servicer	Nido Home Finance Limited
Trustee	Catalyst Trusteeship Limited
CC holding bank	ICICI Bank Limited
Collection and payout account bank	ICICI Bank Limited

## Liquidity position: Superior

The liquidity for Series A1 ABS is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~9.25 times the estimated loss in the pool.

## Rating sensitivities

**Positive factors** – Not applicable

**Negative factors** – The sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and higher CE utilisation levels, could result in a rating downgrade. Weakening in the credit profile of the servicer could also exert pressure on the rating.

## Analytical approach

The rating action is based on the trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

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

Nido Home Finance Limited (Nido) is a housing finance company registered with National Housing Bank. It was incorporated in FY2011 following the Group's strategy of creating a footprint in the affordable housing space. As a part of the Group's positioning exercise, the company was rechristened Nido Home Finance Limited (Formerly Edelweiss Housing Finance Limited) in May 2023. In recent years, the company has realigned its strategy to focus on low ticket-sized home loans. Nido reported a net profit of Rs. 19crore in FY2024 (Rs. 3crore in H1 FY2025) compared to Rs.16 crore in FY2023. As of September 30, 2024, its capitalisation profile was characterised by a net worth of Rs. 813 crore, a gearing of 2.2 times and a capital adequacy ratio of 37.6%.

## Edelweiss Financial Services Limited (parent)

Incorporated in 1995, Edelweiss is a SEBI-registered merchant banker with a presence across multiple businesses in the financial services space through its subsidiaries. Currently, the Group is engaged in retail lending, alternatives, asset management, life & general insurance, and asset reconstruction. The Group had an established position in the wealth management business before it unlocked the value in it by selling its controlling stake in FY2021.

On a standalone basis, Edelweiss posted a total income of Rs. 1,028 crore and a profit after tax (PAT) of Rs. 695 crore in FY2024 compared to Rs. 3,089 crore and Rs. 2,388 crore, respectively, in FY2023. On a consolidated basis, it posted a total income of Rs. 9,602 crore and a PAT of Rs. 528 crore in FY2024 compared to Rs. 8,633 crore and Rs. 406 crore, respectively, in FY2023.

## Key financial indicators

Edelweiss Financial Services Limited (consolidated)	FY2023	FY2024	H1 FY2025 <sup>^</sup>
Interest income	8,633	9,602	5,179
Profit after tax	406	528	222
Assets under management (AUM)	17,354	14,804	13,808
Gross stage 3	62.2%	68.9%	NA
Capital-to-risk adequacy ratio (CRAR) <sup>#</sup>	33.7%	42.0%	44.5%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; <sup>^</sup> Unaudited; <sup>#</sup> Considers ECL Finance Limited, Nido Home Finance Limited and Edelweiss Retail Finance Limited; AUM includes net retail, wholesale loans, purchase of credit impaired loans, and security receipts (wherein loan was originated by Group entity)

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

## Any other information: None

## Rating history for past three years

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	Date & Rating in FY2022
				March 18, 2025	Oct 29, 2024			
HL Trust 27	Series A1 ABS	41.52	41.52	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-	-

## Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 ABS	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 Name	Date of Issuance / Sanction	Coupon Rate (p.a.p.m)	Maturity Date	Current Amount Rated (Rs. crore)	Current Rating
HL Trust 27	Series A1 ABS	October 29, 2024	9.10%	March 20, 2054	41.52	[ICRA]AAA(SO)

Source: Company

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

Not Applicable

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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.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited

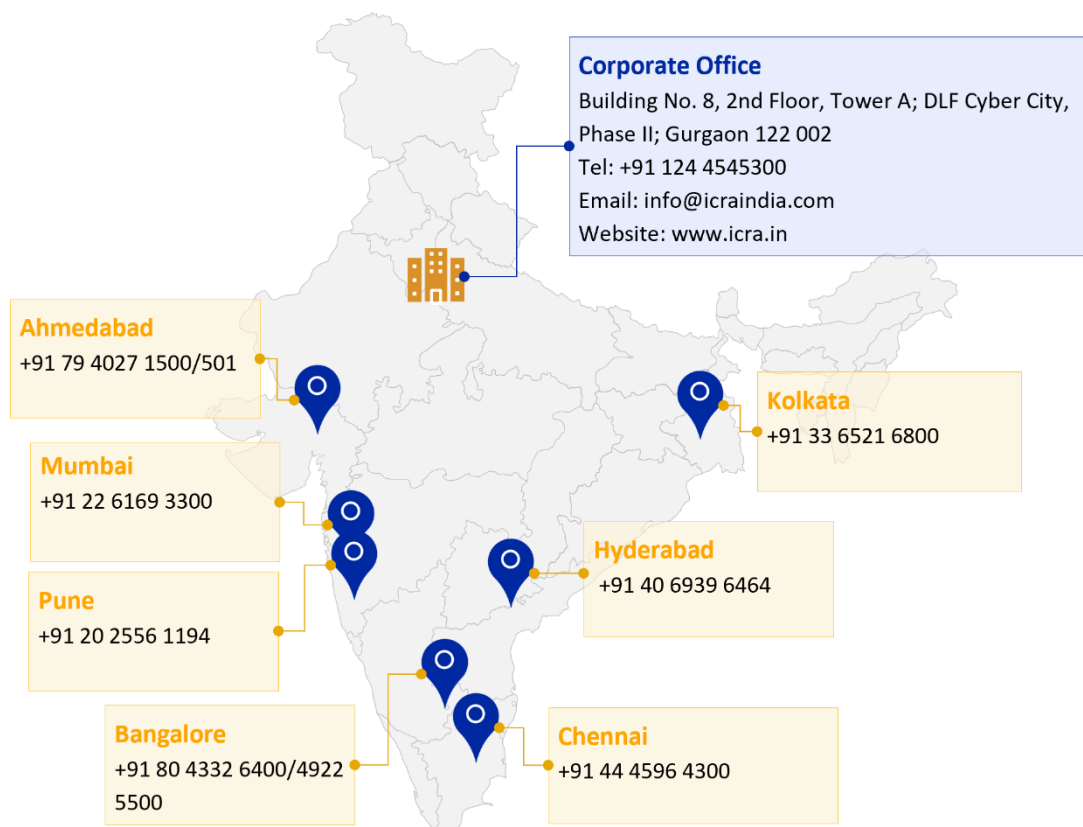


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