

April 29, 2025

Nido Home Finance Limited: Rating reaffirmed for ABS backed by home loan receivables issued by HL Trust 24

Summary of rating action

Trust name	Instrument*	Initial rated amount (Rs. crore)	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
HL Trust 24	Series A1 ABS	39.39	NA	27.95	[ICRA]AAA(SO); reaffirmed

*Instrument details are provided in Annexure I

Rationale

The asset-backed securities (ABS) are backed by home loan (HL) receivables originated by Nido Home Finance Limited {Nido; rated [ICRA]A+ (Stable)/Originator}. Nido is also the servicer for the rated transaction.

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

Pool performance summary

Parameters	HL Trust 24
Payout month	March 2025
Months post securitisation	14
Pool amortisation	26.1%
Series A1 ABS amortisation	29.0%
Cumulative collection efficiency ¹	97.0%
Loss-cum-0+ days past due (dpd; % of initial pool principal) ²	13.2%
Loss-cum-30+ dpd (% of initial pool principal) ³	11.3%
Loss-cum-90+ dpd (% of initial pool principal) ⁴	2.4%
Breakeven collection efficiency ⁵ for Series A1 ABS	63.2%
Cumulative cash collateral (CC) utilisation (% of initial CC)	0.0%
Cash collateral (CC) (as % of balance pool principal)	13.5%
Subordination (as % of balance pool principal)	13.5%
Excess interest spread (EIS; as % of balance pool): Series A1 ABS ⁶	57.8%
Cumulative prepayment rate	23.6%

¹ (Cumulative current and overdue collections till date)/(Cumulative billing till date)

² Inclusive of unbilled and overdue principal portion of delinquent contracts, as a % of Initial pool principal

³ Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 30 days, as a % of Initial pool principal

⁴ Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 90 days, as a % of Initial pool principal

⁵ Breakeven collection efficiency = Balance ABS cash flows – Cash collateral available/Balance pool cash flows

⁶ (Balance pool cash flows – Balance cash flows to ABS – Originator's residual share)/Pool principal outstanding

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.

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 for the trust with the cash collateral increasing to 13.5% of the balance pool principal from 10.0% at the time of securitisation. Further, internal credit support is available through subordination of 13.5%.

Healthy pool performance – The pool's performance has been strong with a cumulative collection efficiency of more than 97% till the March 2025 payout month while the breakeven collection efficiency is comfortably below the monthly collection efficiency observed in the pool. The pool has reported low delinquency with 90+ days past due (dpd) of 2.4%. Further, there have been no instances of cash collateral utilisation for the pool till date owing to the strong collection performance and the presence of EIS.

Adequate servicing capability of Nido – The company has an established track record of more than a decade in the mortgage loan business with adequate underwriting policies and collection procedures across a wide geography. It has a satisfactory process for servicing the loan accounts in the securitised pool.

Credit challenges

High obligor concentration – The pool has high obligor concentration with loans outstanding to the top 3 borrowers accounting for ~11% of the balance pool principal. The pool's performance would thus be highly exposed to the repayment patterns of the top borrowers and the company's ability to limit the slippages of such borrowers.

Exposed to interest rate risk – The pool has exposure to interest rate risk as it has contracts with floating rate and fixed rate loans while the yield on ABS 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 noted the high obligor concentration in the pool after the March 2025 payout month. Thus, the pool's performance is likely to get influenced by the performance of a few large obligors. The variability of loss in case of a concentrated pool would be much higher than that of a regular granular pool. All loans pertaining to any borrower have been

clubbed as one because if an entity defaults, it would most likely default on all its loans to a lender. ICRA's rating/credit assessment of the entities, along with the balance tenure of the loans given to these entities, has been taken into account to estimate the default probability for each loan. ICRA has also built in the assumptions on the quantum and timing of recovery post default. Further, a certain loss given default (LGD) has been assumed by factoring in the repossession and sale of the underlying assets. ICRA has assumed that the recovery, after default by a borrower, would happen with a lag. Various possible scenarios are simulated and the incidences of default to the investor as well as the extent of losses are measured.

For the granular portion of the pool (~95% of the balance pool principal), ICRA has estimated the shortfall in the pool principal collection during its tenure at 4.50% 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 for the granular portion. The cash flows of the granular as well as the concentrated portion are combined and the incidences of default to the investor and 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 Trust 24
Originator	Nido Home Finance Limited
Servicer	Nido Home Finance Limited
Trustee	IDBI Trusteeship Services Limited
CC 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 greater than 9 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 credit enhancement 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 performance of the pool till the March 2025 payout month (February 2025 collection month), the present delinquency profile of the pool, the credit enhancement available in the transaction, 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

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 home loans. It reported a net profit of Rs. 19 crore in FY2024 (Rs. 3 crore in H1 FY2025) compared to Rs. 16 crore in FY2023. As on 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 Securities and Exchange Board of India (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 [^]
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) [#]	33.7%	42.0%	44.5%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; [^] Unaudited; [#] 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

Current rating (FY2026)				Chronology of rating history for the past 3 years			
Trust name	Instrument	Initial amount rated (Rs. crore)	Current rated amount (Rs. crore)	Date & rating in FY2026 Apr 29, 2025	Date & rating in FY2025 Apr 18, 2024	Date & rating in FY2024 Jan 22, 2024	Date & rating in FY2023 --
HL Trust 24	Series A1 ABS	39.39	27.95	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	--

Complexity level of the rated instrument

Trust name	Instrument	Complexity indicator
HL Trust 24	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 type	Date of issuance	Coupon rate (p.a.p.m.)	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
HL Trust 24	Series A1 ABS	January 17, 2024	9.00%	March 20, 2072	27.95	[ICRA]AAA(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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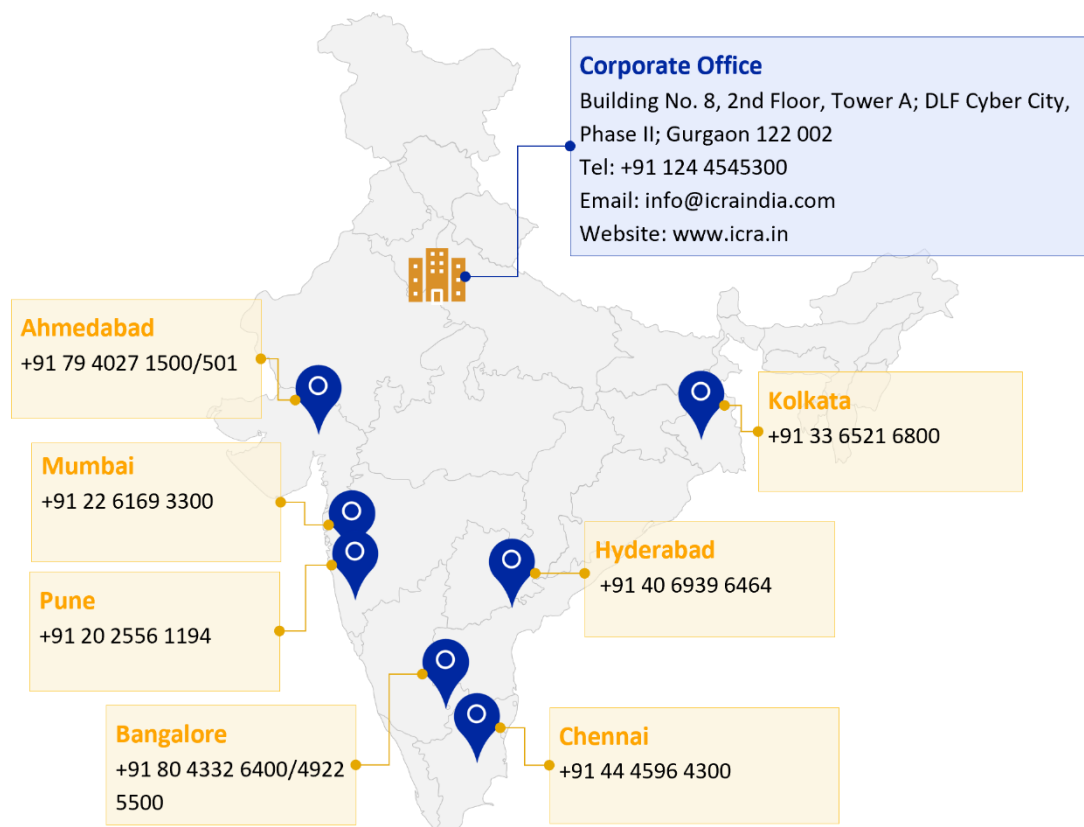


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