

June 20, 2025

Nido Home Finance Limited: Rating reaffirmed for instruments issued under two mortgage loan securitisation transactions

Summary of rating action

Trust name	Instrument*	Initial rated amount (Rs. crore)	Amount O/s after last surveillance (Rs. crore)	Current rated amount (Rs. crore)	Rating action
ML Trust 5	Series A notes	243.56	118.22	92.50	[ICRA]AAA(SO); reaffirmed
HL Trust 25	Series A1 ABS	52.18	NA	36.62	[ICRA]AAA(SO); reaffirmed

*Instrument details are provided in Annexure I

Rationale

The instruments with respect to ML Trust 5 are backed by housing loan (HL) and loan against property (LAP) receivables while the instruments for HL Trust 25 are backed by HL receivables. The underlying loan receivables are originated by Nido Home Finance Limited {Nido; rated [ICRA]A+ (Stable)}. Nido also acts as the servicer for the transactions.

The rating reaffirmation factors in the build-up of the credit enhancement cover over the future investor payouts on account of 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 pools till the May 2025 payout month.

Pool performance summary

Particulars	ML Trust 5	HL Trust 25
Payout month	May 2025	May 2025
Months post securitisation	37	13
Pool amortisation	59.2%	26.8%
Series A1/A amortisation	62.0%	29.8%
Cumulative collection efficiency ¹	98.9%	98.4%
Breakeven collection efficiency ²	58.1%	64.3%
Cumulative prepayment rate	63.6%	2.1%
Loss-cum-90+ dpd ³ (% of initial pool)	1.1%	1.7%
Loss-cum-180+ dpd ⁴ (% of initial pool)	0.7%	0.9%
Cumulative cash collateral (CC) utilisation	0.0%	0.0%
CC (% of balance pool)	30.7%	13.7%
Principal subordination (% of balance pool)	-	13.7%
Excess interest spread (EIS ⁵ ; % of balance pool)	50.3%	54.7%

¹ (Cumulative current and overdue collections till date)/(Cumulative billing till date + Opening overdues at the start of the transaction)

² (Balance cash flows payable to investor – CC available)/Balance pool cash flows

³ Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 90 days, as a % of Initial pool principal

⁴ Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 180 days, as a % of Initial pool principal

⁵ (Pool cash flows – Cash flows to ABS/notes investors – Originator's residual share)/Pool principal outstanding

Transaction structure

For ML Trust 5, the monthly cash flow schedule comprises the promised interest payout. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. Any prepayment in the pool would be used for the prepayment of the Series A notes principal, subject to a minimum of 1% of the prepayments either received from the pool or met through the excess interest spread (EIS). If the prepayments are less than 1% on any given payout date, the EIS will be utilised to pay the principal (1% minus the actual prepayment rate multiplied by the principal outstanding of the preceding month). Any surplus EIS, after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis.

For HL Trust 25, the monthly cash flow schedule comprises the promised interest payout and principal payout (90% of the pool principal billed). The balance principal (10%) is expected to be paid on a monthly basis until the maturity of Series A1 asset-backed securities (ABS). Any surplus 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 the Series A1 ABS principal.

Reset of credit enhancement for ML Trust 5

At the Originator's request for resetting the credit enhancement, ICRA has analysed the transaction and the underlying pool. As per ICRA's analysis, the cash collateral (CC) required to maintain the present rating is Rs. 15.22 crore (15.3% of balance pool principal) against the existing CC of Rs. 30.45 crore (30.7% of balance pool principal). Based on the pool's performance, the rating for the Series A notes will remain unchanged even after the CC amount is reset. However, as per regulatory guidelines, the maximum amount of CC that can be released would be restricted to 60% of the difference between the current CC amount and the revised CC amount allowed by ICRA. The CC reset shall be subject to the approval of the securitisation note (SN) investors.

Key rating drivers and their description

Credit strengths

Substantial credit enhancement available in the pools – The rating factors in the build-up of credit enhancement for both trusts with the CC increasing in the range of 14-31% of the balance pool principal after the May 2025 payout month from 10-12.5% at the time of securitisation. Further, internal credit support is available through subordination of 13.7% for HL Trust 25.

Healthy pool performance – The performance of the pools has been strong with the cumulative collection efficiency staying above 98% till the May 2025 payout month while the breakeven collection efficiency is comfortably below the monthly collection efficiency observed in the pools. The loss-cum-90+ days past due (dpd) is relatively lower for ML Trust 5 at 1.1% and stood at 1.8% for HL Trust 25. Further, there have been no instances of CC utilisation for both pools 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 pools.

Credit challenges

Exposed to interest rate risk – The pools are exposed to interest rate risk as they have contracts with floating and fixed rate loans while the yield on the securities is fixed, though ML Trust 5 has a floating yield on the Series A notes.

Risks associated with lending business – The pools’ 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 pools, ICRA has estimated the shortfall in the pool principal collection during its tenure as per the table below. The average prepayment rate for the underlying pools is also given in the table. 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 instruments.

Transaction name	Expected loss* (% of initial pool principal)	Prepayment
ML Trust 5	2.25%	6-20% p.a.
HL Trust 25	4.75%	6-20% p.a.

* With certain variability around it

Details of key counterparties

The key counterparties in the rated transactions are as follows:

Transaction name	HL Trust 25	ML Trust 5
Originator	Nido Home Finance Limited	
Servicer	Nido Home Finance Limited	
Trustee	IDBI Trusteeship Services Limited	Catalyst Trusteeship Limited
CC holding bank	IDBI Bank Limited	DBS Bank India Limited
Collection and payout account bank	IDBI Bank Limited	DBS Bank India Limited

Liquidity position: Superior

The liquidity for the instruments is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be more than 8.50 times the estimated loss in the pools.

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, would result in a rating downgrade. Weakening in the credit profile of the servicer (Nido) could also exert pressure on the rating.

Analytical approach

The rating action is based on the performance of the pools till March 2025 (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	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. Nido reported a net profit of Rs. 19 crore in FY2025 (PY: Rs. 19 crore). As on March 31, 2025, its capitalisation profile was characterised by a net worth of Rs. 828 crore, a gearing of 3.8 times and a capital adequacy ratio of 33.6%.

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. It 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 consolidated basis, Edelweiss reported a total income of Rs. 9,519 crore and profit after tax of Rs. 222 crore in FY2024 compared to Rs. 9,602 crore and Rs. 528 crore, respectively, in FY2024. As of March 2025, the Group's capitalisation profile was characterised by a net worth of Rs. 5,918 crore and a gearing of 3 times.

Key financial indicators

Edelweiss Financial Services Limited (consolidated)	FY2023	FY2024	FY2025
Total income	8,633	9,602	9,519
Profit after tax – Including minority interest	406	528	222
Assets under management (AUM)	17,354	14,804	12,221
Gross stage 3	62.2%	68.9%	NA
Capital-to-risk weighted assets ratio (CRAR)*	33.7%	42.0%	33.2%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

*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 (FY2026)		Chronology of rating history for the past 3 years				
		Initial rated amount (Rs. crore)	Current rated amount (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	
				Jun 20, 2025	Aug 23, 2024	Aug 30, 2023	Aug 12, 2022	May 17, 2022
ML Trust 5	Series A notes	243.56	118.22	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)

Trust name	Instrument	Current rating (FY2026)		Chronology of rating history for the past 3 years				
		Initial rated amount (Rs. crore)	Current rated amount (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025		Date & rating in FY2024	Date & rating in FY2023
				Jun 20, 2025	Jun 21, 2024	Apr 24, 2024	-	-
HL Trust 25	Series A1 ABS	52.18	36.62	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-

Complexity level of the rated instrument

Trust name	Instrument	Complexity indicator
ML Trust 5	Series A notes	Complex
HL Trust 25	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	Date of issuance/ Sanction	Coupon rate (p.a.p.m.)	Maturity date	Current rated amount (Rs. crore)	Current rating
ML Trust 5	Series A notes	May 19, 2022	9.61%*	March 25, 2042	92.50	[ICRA]AAA(SO)
HL Trust 25	Series A1 ABS	April 30, 2024	9.10%	April 20, 2057	36.62	[ICRA]AAA(SO)

*Linked to repo rate plus spread of 3.61%

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Manushree Saggar

+91 124 4545 316

manushrees@icraindia.com

Sachin Joglekar

+91 22 6114 3470

sachin.joglekar@icraindia.com

Sumit Pramanik

+91 22 6114 3462

sumit.pramanik@icraindia.com

Mrugesh Trivedi

+91 22 6114 3436

mrugesh.trivedi@icraindia.com

Priya Gounder

+91 22 6114 3414

priya.gounder@icraindia.com

RELATIONSHIP CONTACT

Mr. L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



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