

August 01, 2025

Nido Home Finance Limited: Provisional [ICRA]AAA(SO) assigned to asset-backed securities backed by home loan receivables issued by HL Trust 29

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
HL Trust 29	Series A1 ABS	38.39	Provisional [ICRA]AAA(SO); Assigned

*Instrument details are provided in Annexure I

Rating in the absence of the pending actions/documents	No rating would have been assigned as it would not be meaningful
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Rationale

The asset-backed securities (ABS) are backed by a pool of home loan (HL) receivables originated by Nido Home Finance Limited (Nido/Originator; rated [ICRA]A+; removed from Watch with Negative Implications) with an aggregate principal outstanding of Rs. 42.66 crore (pool receivables of Rs. 106.20 crore). Nido would also act as the servicer for the transaction.

The provisional rating is based on the strength of the cash flows from the selected pool of contracts, the credit enhancement available in the structure as well as the integrity of the legal structure. The rating is subject to the fulfilment of all the conditions under the structure and ICRA's review of the documentation pertaining to the transaction.

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%) 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.

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. 4.27 crore, to be provided by the Originator, (ii) subordination of 10.00% of the initial pool principal (Series A2 ABS held by the Originator) for Series A1 ABS, and (iii) the EIS of 46.23% 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 210 contracts, with top 10 contracts forming ~16% 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. Further, 100% of the pool principal have borrowers which have never been delinquent since disbursement, which is a credit positive.

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, ~90% 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.

Servicing capability of the originator – The company has adequate processes for the servicing of the loan accounts in the securitised pool. It has demonstrated a track record of regular collections and recoveries across a wide geography and multiple economic cycles.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz. Maharashtra, Andhra Pradesh and Tamil Nadu, contributing ~57% 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 ~99% 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 5.00% 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.

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 ~8.75 times the estimated loss in the pool.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Any 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 (Nido) could also exert pressure on the rating.

Analytical approach

The rating action is based on the analysis of the performance of Nido's HL portfolio till March 2025, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the credit enhancement cover available in the transaction.

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

Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned rating is provisional and would be converted into a final rating upon the execution of:

1. Trust deed
2. Assignment agreement
3. Legal opinion
4. Trustee letter
5. Chartered Accountant's know your customer (KYC) certificate
6. Any other documents executed for the transaction

Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at www.icra.in.

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. 19 crore in FY2025 (PY: Rs. 19 crore) . As of 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 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 consolidated basis, Edelweiss reported a total income of Rs. 9,519 crore and profit after tax of Rs. 222 crore for FY2025 compared to Rs. 9,602 crore and Rs. 528 crore, respectively, in FY2024. As on March 2025, the Group's capitalisation profile was characterised by a net worth of Rs. 5,918 crore and 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 asset ratio (CRAR)#	33.7%	42.0%	33.2%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; #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	Current Rating (FY2026)			Chronology of Rating History for the Past 3 Years		
	Instrument	Amount Rated (Rs. crore)	Date & Rating in FY2026	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023
			August 01, 2025			
HL Trust 29	Series A1 ABS	38.39	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	Date of Issuance/ Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Current Rated Amount (Rs. crore)	Current Rating
HL Trust 29	Series A1 ABS	July 31, 2025	8.98%	January 20, 2055	38.39	Provisional [ICRA]AAA(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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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

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