

March 18, 2020

Reliance Home Finance Limited: Ratings for Pass Through Certificates (PTCs) issued under two mortgage loan pools originated by RHFL placed on watch with negative implications

Summary of rating action

Trust Name	Instrument	Initial Amount (Rs. crore ¹)	Amount outstanding after Previous Rating Exercise (Rs. crore)	Amount after Feb-20 payout (Rs. crore)	Rating Action
Indian Receivable Trust 2018 Series 1	PTC Series A	868.45	725.24	433.89	[ICRA]BBB(SO); removed from “rating watch with developing implications” and placed under “rating watch with negative implications”
Indian Receivable Trust 2018 Series 2	PTC Series A	634.20	561.10	400.11	[ICRA]BBB(SO); removed from “rating watch with developing implications” and placed under “rating watch with negative implications”

Rationale

The ratings of the PTCs in the two transactions are placed under “rating watch with negative implications” following the recent notice from the Reserve Bank of India (RBI) putting Yes Bank Limited under moratorium until April 3, 2020. The cash collateral (CC) in these transactions in form of fixed deposit is with Yes Bank. During the moratorium period, the cash collateral for the transaction cannot be utilised by the trustee to meet shortfall, if any, in the collections. ICRA notes that the Collection & Payout Account (C&P Account) has been shifted from Yes Bank to another bank.

The performance of the rated pools has been strong evidenced by healthy collection efficiency and low delinquency levels. The pools comprise of receivables from housing loans (HL) and loan against property (LAP) contracts. The receivables have been assigned to the respective trusts at par and each trust has issued one series of PTCs backed by the same.

¹ 100 lakh = 1 crore = 10 million

Pool Performance Summary

A summary of the performance of the pools as after Feb 2020 payout month has been tabulated below.

Parameter	IRT 2018 1	IRT 2018 2
Months post securitization	16	16
Pool Amortisation	50.04%	36.91%
Cumulative Collection Efficiency ²	99.41%	99.04%
Loss cum 90+ dpd ³ (% of initial Pool Principal)	0.12%	1.16%
Loss cum 180+ dpd ⁴ (% of initial Pool Principal)	0.04%	0.79%
Cash Collateral Utilization (% of initial cash collateral)	0.00%	0.00%
Cash Collateral (% of Balance Pool Principal)	24.02%	14.27%
Cash Collateral (% of Balance PTC Principal)	24.02%	14.27%

Key rating drivers

Credit strengths

- Strong collection performance seen in all the pools till February 2020 (payout month)
- Low delinquency levels reported in both pools
- Negligible cash collateral utilization in any of the pools till date owing to strong collection efficiency and availability of Excess Interest Spread in these transactions

Credit challenges

- Weak credit profile of the servicer, RHFL ([ICRA]D)
- Cash collateral is with Yes Bank ([ICRA]D) which has been put under moratorium by the RBI

Description of key rating drivers highlighted above:

The performance of all the pools has been strong with cumulative collection efficiency of more than 99% after meeting February 2020 payouts. Any shortfall in the collections has been absorbed by the EIS in the structure and there has not been significant CC utilisation in any of the transactions till date. The pools have amortised by more than 36% have seen some build-up in credit enhancement cover over the balance life of these transactions. Despite the strong collection performance of the pools, the ratings have been put on 'Watch with negative implications' due to the notice from the RBI putting Yes Bank Limited under moratorium until April 3, 2020. The cash collateral in these transactions in form of fixed deposit is with Yes Bank. ICRA will continue to monitor the developments in this regard.

Key rating assumptions

N.A.

² (Cumulative Collections till date) / (Cumulative Billings till date + Opening Overdues at the start of the transaction)

³ (Unbilled and Overdue Principal portion of contracts delinquent by more than 90 days + Crystallised loss, if any) / (Initial Pool Principal)

⁴ (Unbilled and Overdue Principal portion of contracts delinquent by more than 180 days + Crystallised loss, if any) / (Initial Pool Principal)

Liquidity position: Adequate

As per the transaction structure, the cash flows from the pool and the available credit enhancement are expected to be adequate to meet the promised payouts to PTC investors.

Rating sensitivities

Positive Triggers – A rating upgrade for the pools could occur only if the credit profile of the servicer witnesses significant improvement.

Negative Triggers - A rating downgrade for the pools could occur if the moratorium on Yes Bank extends beyond the envisaged period and CC is not transferred to a bank acceptable to ICRA.

Analytical approach:

The rating actions are based on the performance of the pools till February 2020 (payout month), the present delinquency profile of the pool contracts, performance expected over the balance pool tenure, credit profile of the servicer, and the credit enhancement available in these transactions.

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for Securitisation Transactions
Parent/Group Support	Not applicable
Consolidation / Standalone	Not applicable

About the company:

Reliance Home Finance Limited (RHFL) is a subsidiary of Reliance Capital Limited (RCL) and was incorporated in FY2009. RHFL is registered as a Housing Finance Company with National Housing Bank and is engaged in mortgaged based lending operations. RHFL was listed on the stock exchanges in India in the second half of September 2017 after it was hived off from RCL, basis which RCL's stake in the entity reduced to ~48%, while the overall promoter holding in the entity was ~75% as on December 31, 2018.

RHFL reported net profit after tax of Rs. 67.42 crore on a total income base of Rs. 2003 crore in FY2019 compared to net profit of Rs. 181 crore on a total income base of Rs. 1671 crore in FY2018.

Key financial indicators

RHFL (Standalone)	FY2017	FY2018	FY2019
Total Income	1,144.68	1,670.52	2,002.59
Profit after tax	172.59	180.58	67.42
Networth	1,129.60	1,929.13	1,799.93
Loan Book (AUM)	11,174	16,379	18,868
Total assets	11,347	15,684	18,125
Return on assets	1.81%	1.34%	0.40%
Return on equity	19.73%	11.81%	3.62%
Gross NPA	0.84%	0.87	0.73%
Net NPA	0.68%	0.67	0.61%
Capital adequacy ratio	19.3%	19.7%	15.45%
Gearing	8.67	6.90	6.68

Amounts in Rs. crore, ratios as per ICRA calculations

*Annualised

Status of non-cooperation with previous CRA:

ICRA has moved the rating of Reliance Home Finance Limited to the 'ISSUER NOT COOPERATING' category due to non submission of monthly 'No Default Statement' ("NDS") by the entity.

ICRA has been consistently following up with Reliance Home Finance Limited for obtaining the monthly 'No Default Statement' and had also placed the ratings under review due to non submission of NDS in the month October 2019. However the entity's management has remained non-cooperative.

ICRA is unable to validate whether Reliance Home Finance Limited has been able to meet its debt servicing obligations in a timely manner. Accordingly, the lenders, investors and other market participants are advised to exercise appropriate caution while using this rating.

Any other information: None

Rating history for last three years:

S. No.	Trust	Current Rating (FY2020)				Chronology of Rating History for the past 3 years				
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating in FY2020	Date & Rating in FY2020		Date & Rating in FY2019	Date & Rating in FY2019	Date & Rating in FY2019
					18-Mar-2019	30-Apr-2019	03-Apr-2019	07-Mar-2019	26-Feb-2019	15-Nov-2018
1	Indian Receivable Trust 2018 Series 1	PTC Series A	868.45	433.89	[ICRA]BBB (SO)@	[ICRA]BBB (SO)&	[ICRA]AA (SO)&	[ICRA]AA(SO)&	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)

&: The symbol implies that the ratings are under watch with developing implications

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		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating in FY2020	Date & Rating in FY2020		Date & Rating in FY2019	Date & Rating in FY2019	Date & Rating in FY2019
					18-Mar-2019	30-Apr-2019	03-Apr-2019	07-Mar-2019	26-Feb-2019	15-Nov-2018
2	Indian Receivable Trust 2018 Series 2	PTC Series A	634.20	400.11	[ICRA]BBB (SO)@	[ICRA]BBB (SO)&	[ICRA]AA (SO)&	[ICRA]AA(SO)&	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)

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Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure I

Detail of Instruments

Trust Name	Instrument	Date of Issuance	Current Coupon Rate [#]	Scheduled Maturity Date [*]	Amount Rated (Rs. crore)	Rating outstanding
Indian Receivable Trust 2018 Series 1	PTC Series A	Nov 2018	10.15%	Aug 2043	433.89	[ICRA]BBB(SO)@
Indian Receivable Trust 2018 Series 2	PTC Series A	Nov 2018	9.10%	Aug 2043	400.11	[ICRA]BBB(SO)@

[#] variable; subject to change owing to change in benchmark rate

^{*} Scheduled maturity at transaction initiation; may change on account of prepayment and yield change

@: The symbol implies that the ratings are under watch with negative implications

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About ICRA Limited:

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.

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