

July 11, 2017

Dewan Housing Finance Corporation Limited

Summary of Rated Instruments

Sl.	Trust Name	Instrument*	Initial Amount (Rs. crore ¹)	Rating action
1	Nirmaan RMBS Trust – Series II – 2017	PTC Series A	240.39	Provisional rating of [ICRA]AAA(SO) confirmed as final

**Instrument details are provided in Annexure I*

Rating Action

ICRA has confirmed the provisional ratings assigned to PTC Series A issued by Nirmaan RMBS Trust – Series II – 2017 trust as final, as tabulated above. The PTC Series A are backed by receivables from a Rs. 240.39 crore (Principal outstanding) pool of home loan receivables originated by Dewan Housing Finance Corporation Limited (DHFL).

Rationale

In March 2017, ICRA had assigned Provisional [ICRA]AAA(SO) rating to PTC Series A issued by Nirmaan RMBS Trust – Series II – 2017 trust. Since the executed transaction documents are in line with the rating conditions, and the legal opinion for the transaction have been provided to ICRA, the said ratings have now been confirmed as final.

Key rating drivers

Credit Strengths

- The first line of support is available for the transaction through subordination of the excess interest spread (EIS) (amounting to around 21.78% of the pool principal amount); residual EIS would flow back to the originator
- Further support is available in the form of Cash Collateral of 5.00% of the total pool principal amount
- Additional layer of support is derived from the guarantee from IMGC
- The selected pool is characterised by good seasoning, moderate LTV, low ticket size and high proportion of salaried customers
- The delinquencies in the Home Loan portfolio of DHFL have stayed range-bound in the past few months with the 90+ dpd level of around 0.50% and 180+ dpd levels of 0.46% as on September 2016

¹ 100 lakh = 1 crore = 10 million

Credit Weakness

- The pool has moderately high LTV at 82%. More than 45% of the pool has LTV greater than 85%
- The pool yield as well as PTC yield is floating. Since the PTC yield is linked to an external benchmark, the structure is exposed to basis rate risk with a possible mismatch between the interest rate receivable from the pool accounts and the interest rate payable to the Investor. This mismatch can put some stress on the interest spread between the PTC and pool yields.

Description of key rating drivers highlighted above:

DHFL has assigned to an SPV (Trust), the future receivables arising from the selected pool of 1,870 loans. The transfer is at par, i.e., the Trust has paid to the Originator the par value of the loan pool as the up-front purchase consideration. The Trust has issued one series of PTC Series A backed by the assigned HL receivables.

The underlying pool consists of only HL contracts. The selected pool is characterised by high seasoning (average seasoning of around 20 months) and medium ticket size loans. All loans in the pool have variable interest rate

The first line of support for meeting any shortfall in scheduled PTC payouts is available in the form of subordination of the excess interest spread (EIS) in the structure (amounting to around 21.78% of the pool principal amount). The residual EIS (after meeting scheduled PTC payout and top up of CC, if any, in any month) will flow back to the originator. Further support is available through cash collateral stipulated at 5.00% of the total pool principal amount (Rs. 12.02 crore).

The credit collateral is in the form of fixed deposit maintained with a designated bank acceptable to ICRA. However, DHFL might replace the fixed deposit with Bank Guarantee later, subject to the Guarantor and the terms of the Guarantee being acceptable to ICRA.

Additionally, DHFL has availed a mortgage guarantee from IMGC for the contracts in the pool. The guarantee from IMGC would reduce the extent of shortfall to the lender and consequently to the investor as well. The key terms of the guarantee are summarised below.

Key features of IMGC Guarantee:

- The guarantee covers all the contracts in the securitised pool
- Guarantee amount for each contract is capped at 30% of principal amount outstanding (POS) as on pool cut-off date
- Guarantee amount on an aggregate basis for the pool is capped at 10% of pool principal amount as on pool cut-off date
- Guarantee term is up to 25 years from the guarantee commencement date

In ICRA's opinion, the level of credit enhancement is sufficient to protect the Investors from delinquencies and credit losses even under significantly stressed loss assumptions.

Analytical approach:

The rating action is based on the analysis of the past performance of DHFL's mortgage portfolio and previously rated ICRA pools, key characteristics and composition of the current pool, performance expected over the balance tenure of the pool, and the credit enhancement cover available in the transaction.

Links to applicable Criteria

Rating Methodology for Securitisation Transactions

About the Originator:

The company was incorporated as Dewan Housing and Leasing Company Limited in 1984. The name of the company was changed to Dewan Housing Development Finance Limited in 1984 and subsequently to Dewan Housing Finance Corporation Limited in 1992. With the merger of First Blue Home Finance Limited (FBHFL) with DHFL in FY13; the Dewan Group extended its offering to higher ticket size segment of more than Rs 10 lakhs and is present across the entire housing finance spectrum serving the Lower Middle Income segment with Aadhar Housing Finance having a average ticket size of Rs 7.00 lakhs and DHFL Vysa having a average ticket size of Rs 9.65 lakhs. The total assets under management for Dewan group were Rs. 83,560 crore as on March 31, 2017. DHFL is spread across 352 locations of India.

On a standalone basis, DHFL reported a Profit After Tax (PAT) of Rs. 2896.45 crore on an AUM of around Rs. 83560 crore in FY17 compared to PAT of Rs. 729.20 crore on an AUM of around Rs. 69524 crore in FY16.

DHFL has rating outstanding of [ICRA]A1+ for its short-term debt programme.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Table: Rating History

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. crore)	Month-year & Rating July 2017	Month- year & Rating in March 2017	Month-year & Rating in FY2016	Month-year & Rating in FY2015
1	Nirmaan RMBS Trust – Series II – 2017	PTCs	240.39	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-

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
Details of Instruments

Sl.	Trust Name	Instrument	Date of Issuance	Coupon Rate	Scheduled Maturity Date	Initial Amount (Rs. crore²)	Amount O/s after May-17 Payout (Rs. crore)	Current Rating
1	Nirmaan RMBS Trust – Series II – 2017	PTCs	Mar-17	7.27% p.a.p.m*	Mar-42	240.39	233.56	[ICRA]AAA(SO)

* I-MCLR-1Y less spread of 0.93%; I-MCLR-1Y at the time of execution of documents is 8.20%

² 100 lakh = 1 crore = 10 million

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