

December 13, 2019

Dewan Housing Finance Corporation Limited: Ratings downgraded for pass through certificates (PTCs) issued under one mortgage loan pool originated by DHFL

Summary of rating action

| Transaction / Trust name* | Instrument [^] | Initial issued amount (Rs. crore ¹) | Amount outstanding after previous rating exercise (Rs. crore) | Amount after Nov-19 payout (Rs. crore) | Rating action |
|--|----------------------------|---|---|--|---|
| Nirmaan RMBS Trust Series I 2017 | PTC Series A1 | 313.64 | 201.07 | 184.76 | [ICRA]D(SO); Downgraded from [ICRA]BB(SO)&; removed from Watch with Developing Implications |
| | Second Loss Facility (SLF) | 16.47 | 16.47 | 16.47 | [ICRA]D(SO); Downgraded from [ICRA]BB(SO)&; removed from Watch with Developing Implications |
| DHFL Mortgage Loan Pool D.A. Jan-12 | Purchaser Payouts | 117.08 | 12.14 | 11.43 | [ICRA]D(SO); Outstanding |
| DHFL Mortgage Loan Pool D.A. Feb-12 | Purchaser Payouts | 431.84 | 92.04 | 88.03 | [ICRA]D(SO); Outstanding |
| DHFL Mortgage Loan Pool D.A. Feb-12 II | Purchaser Payouts | 239.00 | 43.25 | 41.01 | [ICRA]D(SO); Outstanding |
| Nirmaan RMBS Trust Series I 2013 | PTC Series A1 | 297.88 | 46.56 | 44.44 | [ICRA]BB(SO)&; Outstanding |
| | PTC Series A2 | 33.10 | 33.10 | 33.10 | [ICRA]BB(SO)&; Outstanding |
| Nirmaan RMBS Trust Series II 2017 | PTC Series A1 | 240.39 | 150.42 | 146.21 | [ICRA]BB(SO)&; Outstanding |

* The six transactions/trusts have been referred as Nirmaan Series I 2017, D.A. Jan-12, D.A. Feb-12, D.A. Feb-12 II, Nirmaan Series I 2013 and Nirmaan Series II 2017, respectively, in this release

[^] Instrument details are provided in Annexure-1

& Under rating Watch with Developing Implications

Rationale

The rating downgrade takes into account the inability of Dewan Housing Finance Corporation Limited (DHFL; rated [ICRA]D) to fund the Collection & Payout Account (C&P Account) maintained for the trust Nirmaan Series I 2017 on or before the due date (i.e. December 10, 2019). The non-payment was owing to ongoing bankruptcy proceedings initiated against DHFL. On November 30, 2019, the Reserve Bank of India (RBI) referred DHFL for bankruptcy proceedings under the Insolvency and Bankruptcy (Insolvency and Liquidation Proceedings of Financial Service Providers and Application to

¹ 100 lakh = 1 crore = 10 million

Adjudicating Authority) Rules, 2019 which was admitted by the NCLT on December 3, 2019. Subsequently, an Administrator has been appointed for DHFL and its Board has been suspended. While the C&P Account for Nirmaan Series I 2017 has not been funded, the cash collateral (CC) lien marked in favour of the Trustee was also not utilised to meet the investor payouts since the Administrator can utilise third party assets or properties in custody or possession of the Corporate Debtor (i.e. DHFL) only after notified by the Central Government. ICRA notes that the performance of the pool remains strong till November 2019 (payout month) evidenced by the healthy collection efficiency and low delinquency levels.

Pool performance summary

A summary of the performance of the pools till November 2019 (payout month) has been presented below.

| Parameter | DHFL Mortgage Loan Pool D.A. Jan-12 | DHFL Mortgage Loan Pool D.A. Feb-12 | DHFL Mortgage Loan Pool D.A. Feb-12 II | Nirmaan RMBS Trust-Series I 2013 | Nirmaan RMBS Trust Series I 2017 | Nirmaan RMBS Trust Series II 2017 |
|--|-------------------------------------|-------------------------------------|--|----------------------------------|----------------------------------|-----------------------------------|
| Months Post Securitisation | 94 | 94 | 93 | 80 | 32 | 32 |
| Pool Amortisation | 90.23% | 79.61% | 82.84% | 76.57% | 37.99% | 39.18% |
| Cumulative Collection Efficiency ² | 99.97% | 99.91% | 99.93% | 99.82% | 99.59% | 99.12% |
| Loss-cum-90+ dpd ³ (% of initial pool principal) | 0.04% | 0.11% | 0.14% | 0.34% | 0.91% | 1.93% |
| Loss-cum-180+ dpd ⁴ (% of initial pool principal) | 0.03% | 0.10% | 0.13% | 0.11% | 0.61% | 0.83% |
| 90+ dpd ⁵ (% of balance pool principal) | 0.23% | 0.33% | 0.59% | 1.32% | 1.32% | 2.89% |
| Cumulative CC Utilisation (% of initial CC) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| CC (% of balance pool principal) | 136.86% | 19.40% | 24.58% | 18.61% | 16.53% | 8.22% |
| Breakeven Collection Efficiency ⁶ | 0.00% | 79.19% | 80.24% | 79.04% | 74.58% | 82.03% |

Key rating drivers

Credit strengths

- Robust collection performance seen in all the pools till November 2019 (payout month)
- Availability of credit enhancement in the form of CC in these transactions; however, availability of these features in a timely manner remains important

Credit challenges

- Ongoing legal and bankruptcy proceedings against DHFL that led to non-funding of C&P Accounts as well non-utilisation of CC in a timely manner resulting in defaults on investor payouts for some transactions

² (Cumulative collections till date)/(cumulative billing 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)

⁵ Unbilled principal portion of contracts delinquent by more than 90 days / (balance pool principal)

⁶ (Balance cashflows payable to investor – cash collateral available)/balance pool cashflows

Description of key rating drivers highlighted above

The performance of the pools has been strong with healthy cumulative collection efficiency after meeting the November 2019 payouts and low delinquencies. Any shortfall in collections has been absorbed by the excess interest spread (EIS) in the structure. There was no instance of CC utilisation in any of the transactions till the August 2019 payouts. However, the inability of DHFL to fund the C&P Accounts for ICRA-rated transactions in October 2019 was a credit negative. Post an Administrator being appointed for DHFL in December 2019, the transactions continue to face challenges in terms of timely funding of the C&P Accounts as well as utilisation of the CC.

Key rating assumptions

N.A.

Liquidity position: Stretched

The liquidity for the transactions has been stretched due to DHFL's inability to fund the C&P Accounts as well as inability of the Trustee to access the CC due to the ongoing legal and bankruptcy proceedings.

Rating sensitivities

Positive triggers (for all rated transactions) – For any rating upgrade, meaningful progress on DHFL's resolution process would be important. Funding of the C&P Accounts by DHFL in a timely manner, on a sustained basis, that would lead to timely payouts to the investors would be critical for any rating upgrade.

Negative triggers (for Nirmaan Series I 2013 and Nirmaan Series II 2017) – Pressure on the ratings could emerge in case the C&P Accounts are not funded or the Trustee is unable to access the CC in a timely manner.

Analytical approach

The rating actions are based on the performance of the pools till October 2019 (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 | Rating Methodology for Securitisation Transactions |
| Parent/Group Support | Not applicable |
| Consolidation/Standalone | Not applicable |

About the company

Dewan Housing Finance Corporation Limited was incorporated as Dewan Housing and Leasing Company Limited in 1984. Its name 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 FY2013, DHFL extended its offerings to the higher ticket size segment of more than Rs. 10 lakh. DHFL focused on the low-and-middle-income customer segment.

Key financial indicators (audited)

| | FY2018 | FY2019 |
|-------------------------------------|---------------|---------------|
| | IND AS | IND AS |
| Net operating income | 2,678 | 3,214 |
| Profit after tax | 1,239 | (1,017) |
| Net worth | 9,233 | 8,102 |
| Total managed assets | 1,25,228 | 1,36,766 |
| % Tier 1 | 11.52% | 9.40% |
| % CRAR | 15.29% | 14.07% |
| Gearing (reported) (times) | 9.92 | 11.44 |
| % Net profit/Average managed assets | 1.08% | (0.78%) |
| % Return on net worth | 14.38% | (11.73%) |
| % Gross NPAs | 0.96% | 2.72% |
| % Net NPAs | 0.56% | 2.12% |
| Net NPA/Net worth | 5.57% | 23.49% |

Amounts in Rs. crore; All ratios are as per ICRA's calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

| S. No. | Instrument | Current Rating (FY2020) | | | | Chronology of Rating History for the Past 3 Years | | | | | | | | | |
|--------|-----------------------------------|-------------------------|----------------------------------|--------------------------------|-------------------------|---|----------------|----------------|---------------|-------------|-------------------------|--------------|---------------------------|---------------------------|-------------------------|
| | | Type | Initial Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating in FY2020 | Date & Rating in FY2020 | | | | | Date & Rating in FY2019 | | | Date & Rating in FY2018 | Date & Rating in FY2017 |
| | | | | | | 13-Dec-2019 | 14-Oct-2019 | 13-May-2019 | 07-May-2019 | 11-Apr-2019 | 04-Feb-2019 | 12-Apr-2018 | 11-July-2017 [#] | | |
| 1 | Nirmaan RMBS Trust Series I 2017* | PTC Series A1 | 313.64 | 184.76 | [ICRA]D(SO) | [ICRA]BB(SO)& | [ICRA]BBB(SO)& | [ICRA]AA-(SO)& | [ICRA]AA(SO)& | [ICRA]AA | [ICRA]AA(SO) | [ICRA]AA(SO) | [ICRA]AA(SO) | Provisional [ICRA]AAA(SO) | |
| | | Second Loss Facility | 16.47 | 16.47 | [ICRA]D(SO) | [ICRA]BB(SO)& | [ICRA]BBB(SO)& | [ICRA]BBB(SO)& | [ICRA]BB(SO)& | [ICRA]BB | [ICRA]BB(SO) | [ICRA]BB(SO) | [ICRA]BB(SO) | Provisional [ICRA]BBB(SO) | |

* The initial rating for the pool was done in March 2017

Rating converted to final from provisional

& The symbol implies that the ratings are under Watch with Developing Implications

| S. No. | Instrument | Current Rating (FY2020) | | | | Chronology of Rating History for the Past 3 Years | | | | | | | | | |
|--------|--------------------------------------|-------------------------|----------------------------------|--------------------------------|-------------------------|---|----------------|----------------|----------------|----------------|-------------------------|---------------|---------------|-------------------------|-------------------------|
| | | Type | Initial Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating in FY2020 | Date & Rating in FY2020 | | | | | Date & Rating in FY2019 | | | Date & Rating in FY2018 | Date & Rating in FY2017 |
| | | | | | | 13-Dec-2019 | 14-Oct-2019 | 13-May-2019 | 07-May-2019 | 11-Apr-2019 | 04-Feb-2019 | 12-Apr-2018 | 19-May-2017 | | |
| 2 | DHFL Mortgage Loan Pool D.A. Jan-12* | Purchaser Payouts | 117.08 | 11.43 | [ICRA]D(SO) | [ICRA]D(SO) | [ICRA]BBB(SO)& | [ICRA]AA-(SO)& | [ICRA]AAA(SO)& | [ICRA]AAA(SO)& | [ICRA]AAA(SO) | [ICRA]AAA(SO) | [ICRA]AAA(SO) | [ICRA]AAA(SO) | |

* The initial rating for the pool was done in January 2012

& The symbol implies that the ratings are under Watch with Developing Implications

| S. No. | Instrument | Current Rating (FY2020) | | | | Chronology of Rating History for the Past 3 Years | | | | | | | |
|--------|--------------------------------------|-------------------------|----------------------------------|--------------------------------|-------------------------|---|----------------|-----------------|------------------|-------------------------|---------------|-------------------------|-------------------------|
| | | Type | Initial Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating in FY2020 | Date & Rating in FY2020 | | | | Date & Rating in FY2019 | | Date & Rating in FY2018 | Date & Rating in FY2017 |
| | | | | | 13-Dec-2019 | 14-Oct-2019 | 13-May-2019 | 07-May-2019 | 11-Apr-2019 | 04-Feb-2019 | 12-Apr-2018 | 19-May-2017 | 3-Jun-2016 |
| 3 | DHFL Mortgage Loan Pool D.A. Feb-12* | Purchaser Payouts | 431.84 | 88.03 | [ICRA]D(SO) | [ICRA]D(SO) | [ICRA]BBB(SO)& | [ICRA]A A-(SO)& | [ICRA]A AA (SO)& | [ICRA]A AA (SO)& | [ICRA]AAA(SO) | [ICRA]AAA(SO) | [ICRA]AAA(SO) |

* The initial rating for the pool was done in February 2012

& The symbol implies that the ratings are under Watch with Developing Implications

| S. No. | Instrument | Current Rating (FY2020) | | | | Chronology of Rating History for the Past 3 Years | | | | | | | |
|--------|---|-------------------------|----------------------------------|--------------------------------|-------------------------|---|----------------|-----------------|------------------|-------------------------|---------------|-------------------------|-------------------------|
| | | Type | Initial Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating in FY2020 | Date & Rating in FY2020 | | | | Date & Rating in FY2019 | | Date & Rating in FY2018 | Date & Rating in FY2017 |
| | | | | | 13-Dec-2019 | 14-Oct-2019 | 13-May-2019 | 07-May-2019 | 11-Apr-2019 | 04-Feb-2019 | 12-Apr-2018 | 19-May-2017 | 3-Jun-2016 |
| 4 | DHFL Mortgage Loan Pool D.A. Feb-12 II* | Purchaser Payouts | 239.00 | 41.01 | [ICRA]D(SO) | [ICRA]D(SO) | [ICRA]BBB(SO)& | [ICRA]A A-(SO)& | [ICRA]A AA (SO)& | [ICRA]A A (SO)& | [ICRA]AAA(SO) | [ICRA]AAA(SO) | [ICRA]AAA(SO) |

* The initial rating for the pool was done in March 2012

& The symbol implies that the ratings are under Watch with Developing Implications

| S. No. | Instrument | Current Rating (FY2020) | | | Chronology of Rating History for the past 3 years | | | | | | | | | | |
|--------|-----------------------------------|-------------------------|----------------------------------|--------------------------------|---|-------------------------|----------------|-----------------|-----------------|-----------------|-------------------------|---------------|---------------|-------------------------|-------------------------|
| | | Type | Initial Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating in FY2020 | Date & Rating in FY2020 | | | | | Date & Rating in FY2019 | | | Date & Rating in FY2018 | Date & Rating in FY2017 |
| | | | | | | 13-Dec-2019 | 14-Oct-2019 | 13-May-2019 | 07-May-2019 | 11-Apr-2019 | 04-Feb-2019 | 12-Apr-2018 | 19-May-2017 | 3-Jun-2016 | |
| 5 | Nirmaan RMBS Trust Series I 2013* | PTC Series A1 | 297.88 | 44.44 | [ICRA]BB(SO)& | [ICRA]BB(SO)& | [ICRA]BBB(SO)& | [ICRA]A A-(SO)& | [ICRA]A AA(SO)& | [ICRA]A AA(SO)& | [ICRA]AAA(SO) | [ICRA]AAA(SO) | [ICRA]AAA(SO) | | |
| | | PTC Series A2 | 33.10 | 33.10 | [ICRA]BB(SO)& | [ICRA]BB(SO)& | [ICRA]BBB(SO)& | [ICRA]A A-(SO)& | [ICRA]A A-(SO)& | [ICRA]A A-(SO)& | [ICRA]A A-(SO) | [ICRA]A (SO) | [ICRA]A (SO) | | |

* The initial rating for the pool was done in April 2013

& The symbol implies that the ratings are under Watch with Developing Implications

| S. No. | Instrument | Current Rating (FY2020) | | | Chronology of Rating History for the Past 3 Years | | | | | | | | | | |
|--------|------------------------------------|-------------------------|----------------------------------|--------------------------------|---|-------------------------|----------------|-----------------|-----------------|-----------------|-------------------------|---------------|---------------------------|-------------------------|-------------------------|
| | | Type | Initial Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating in FY2020 | Date & Rating in FY2020 | | | | | Date & Rating in FY2019 | | | Date & Rating in FY2018 | Date & Rating in FY2017 |
| | | | | | | 13-Dec-2019 | 14-Oct-2019 | 13-May-2019 | 07-May-2019 | 11-Apr-2019 | 04-Feb-2019 | 12-Apr-2018 | 11-July-2017 [#] | 31-Mar-2017 | |
| 6 | Nirmaan RMBS Trust Series II 2017* | PTC Series A1 | 240.39 | 146.21 | [ICRA]BB(SO)& | [ICRA]BB(SO)& | [ICRA]BBB(SO)& | [ICRA]A A-(SO)& | [ICRA]A AA(SO)& | [ICRA]AA A(SO)& | [ICRA]AAA(SO) | [ICRA]AAA(SO) | Provisional [ICRA]AAA(SO) | | |

* The initial rating for the pool was done in March 2017

[#] Rating converted to final from provisional

& The symbol implies that the ratings are under Watch with Developing Implications

Complexity level of the rated instrument: Highly Complex

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-1: Instrument details

| Trust Name | Instrument Name | Date of Issuance | Current Coupon Rate | Scheduled Maturity Date | Amount Rated (Rs. crore) | Current Rating |
|--|---------------------------------------|------------------|---------------------|-------------------------|--------------------------|--------------------------------|
| Nirmaan RMBS Trust Series I 2017 | PTC Series A1 Second Loss Facility | Mar-17 | 7.25% - | Feb-42 | 184.76 16.47 | [ICRA]D(SO) [ICRA]D(SO) |
| DHFL Mortgage Loan Pool D.A. Jan-12 | Purchaser Payouts | Jan-12 | 9.50%# | June-33 | 11.43 | [ICRA]D(SO) |
| DHFL Mortgage Loan Pool D.A. Feb-12 | Purchaser Payouts | Jan-12 | 9.70%# | Feb-42 | 88.03 | [ICRA]D(SO) |
| DHFL Mortgage Loan Pool D.A. Feb-12 II | Purchaser Payouts | Jan-12 | 10.23%## | Feb-42 | 41.01 | [ICRA]D(SO) |
| Nirmaan RMBS Trust Series I 2013 | PTC Series A1 PTC Series A2 | Mar-13 | 8.60%# 9.04%## | Aug-28 Mar-42 | 44.44 33.10 | [ICRA]BB(SO)& [ICRA]BB(SO)& |
| Nirmaan RMBS Trust Series II 2017 | PTC Series A1 | Mar-17 | 7.87%# | Mar-42 | 146.21 | [ICRA]BB(SO)& |

Variable; subject to change owing to change in investor's benchmark rate

Variable; subject to change owing to change in pool yield

& The symbol implies that the ratings are under Watch with Developing Implications

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