

July 05, 2017

Indiabulls Housing Finance Limited

Summary of Rated Instruments

Trust Name	Instrument [#]	Initial Issued Amount (Rs. crore ¹)	Rating action
INNOVATION TRUST XXVIII JUNE 2017	PTC Series A	329.96	Provisional [ICRA]AAA(SO) assigned

#Instrument details are provided in Annexure I

Rating Action

ICRA has assigned Provisional [ICRA]AAA(SO) rating to PTCs under a securitisation transaction originated by Indiabulls Housing Finance Limited (IBHFL). The PTCs are backed by receivables from a Rs. 329.96 crore pool of LAP and HL contracts.

Rationale

The provisional rating is based on the strength of cash flows from the selected pool of contracts, IBHFL's track record in the Mortgage loan business, the available credit enhancement in the form of credit collateral and subordination of Excess Interest Spread (EIS), and the integrity of the legal structure. The ratings are subject to fulfilment of all conditions under the structure and the review of documentation pertaining to the transaction by ICRA.

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 26.8% of the pool principal amount); residual EIS would flow back to the originator
- Further support is available in the form of Cash Collateral of 10.50% of the total pool principal amount
- The selected pool is characterized by moderate seasoning, moderate LTV, low ticket size and moderate share of surrogate income scheme contracts

Credit Weakness

- Presence of overdue contracts of 6.52% of pool principal
- PTC Yield is linked to an external benchmark while interest rate on the underlying loans is linked to IBHFL's PLR—which leads to a basis risk in the structure

¹ 100 lakh = 1 crore = 10 million



Description of key rating drivers highlighted above:

IBHFL would assign to an SPV (Trust), the future receivables arising from the selected pool of 1,584 loans. The transfer would be at par, i.e., the Trust will pay to the Originator the par value of the loan pool as the up-front purchase consideration. The Trust would issue one series of PTC Series A backed by the assigned LAP and HL receivables.

The underlying pool consists of LAP and HL contracts. The selected pool is characterised by a moderate (average seasoning of around 16 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 26.8% 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 10.50% of the total pool principal amount (Rs. 34.65 crore).

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 IBHFL'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

ICRA's Rating Methodology for Securitisation Transactions: [Rating Methodology for Securitisation Transactions](#)

About the Company:

Indiabulls Housing Finance Limited (IBHFL) was incorporated in 2005 and is a housing finance company registered with National Housing Bank. During March 2013, the parent company Indiabulls Financial Services Limited merged with IBHFL. The company provides mortgage loans, lease rental discounting and construction finance with a prime focus on mortgage and home finance business. As on March 31, 2017, the company had assets under management of Rs. 91,301 crore.

On a consolidated basis, the company reported a net profit of Rs. 2,906 crore on a total income base of Rs. 11,702 crore during FY2017 as compared with a net profit of Rs. 2,345 crore on a total income base of Rs. 9,226 crore during FY2016. The company had a net worth of Rs. 12,055 crore and a CRAR of 20.91% as on March 31, 2017.

This is the 2nd PTC transaction of IBHFL being rated by ICRA. The performance of past rated transaction of IBHFL have been robust with cumulative collection efficiency above 99.9% and 90+ dpd of less than 0.4% till Mar-17 collections. There has not been any cash collateral utilization in this transaction till date.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years:

Table:

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	Month-year & Rating July 2017	Month-year & Rating in FY2017	Month-year & Rating in FY2016	Month-year & Rating in FY2015
1	INNOVATION TRUST XXVIII JUNE 2017	PTC Series A	329.96	Provisional [ICRA]AAA(SO)	-	-	-

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/Files/Content/Complexndicator.pdf

**Annexure I
Details of Instruments**

Sl.	Trust Name	Instrument	Date of Issuance	Coupon Rate	Scheduled Maturity Date*	Initial Amount (Rs. crore ²)	Current Rating
1	INNOVATION TRUST XXVIII JUNE 2017	PTC Series A	June 2017	7.25%^	January 2046	329.96	Provisional [ICRA]AAA(SO)

* Scheduled maturity and average life at transaction initiation; may change on account of prepayment and yield change

^Coupon rate is floating and linked to investor's MCLR

² 100 lakh = 1 crore = 10 million



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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.

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