

September 25, 2017

Indiabulls Housing Finance Limited

Summary of Rated Instruments

Trust Name	Instrument [#]	Initial Issued Amount (Rs. crore ¹)	Rating action
INNOVATION TRUST XXIX SEP 2017	PTC Series A	609.69	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. 609.69 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 23.4% of the pool principal amount); residual EIS would flow back to the originator
- Further support is available in the form of Cash Collateral of 9.50% of the total pool principal amount
- The selected pool is characterized by moderate to high seasoning, moderate LTV, low ticket size and moderate share of surrogate income scheme contracts
- There are no overdue contracts in the pool

Credit Weakness

- 10.72% of the pool contracts have a Balance tenor greater than 20 years which is high compared to earlier rated pools

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 4,132 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 seasoning profile (average seasoning of around 18 months) and low 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 23.4% 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 9.50% of the total pool principal amount (Rs. 57.92 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.

Key rating assumptions

ICRA’s cash flow modeling for surveillance of MBS transactions involves simulation of potential delinquencies, losses (shortfall in principal collection during the balance tenor of the pool) and prepayments in the pool. The assumptions for loss and the Co-efficient of Variation (CoV) are arrived at after taking into account the past performance of the Originator’s portfolio and rated pools, and also the performance and characteristics of the specific pool being evaluated. Additionally, the assumptions may be adjusted to factor the current operating environment and any industry specific factors that ICRA believes could impact the performance of the underlying pool contracts.

After making the aforementioned adjustments, the expected loss and prepayments during the balance tenure of the pools are as given in the table below.

Sr. No	Transaction Name	Expected Loss (% of balance pool principal)	Prepayment
1	IBHFL Innovation Trust XXIX SEP-17	2.0% - 4.0%	12% - 18% p a.

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

[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 3rd 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 0.1% till Jun-17 collections. There has not been any cash collateral utilization in the transaction till date.

Key Financial Indicators

	FY2016	FY2017
Net Interest Income	3,188	3,819
Profit after tax	2,345	2,906
Loan Book	68,683	91,301
Total assets	76,370	103,638
% Tier 1	20.36%	17.25%
% CRAR	23.38%	20.91%
% Net Profit / Average total assets	3.51%	3.23%
% Return on Net Worth	27.28%	25.63%
% Net NPA	0.35%	0.36%

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 September 2017	Month-year & Rating in FY2017	Month-year & Rating in FY2016	Month-year & Rating in FY2015
1	INNOVATION TRUST XXIX SEP 2017	PTC Series A	609.69	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
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 XXIX SEP 2017	PTC Series A	September 2017	7.20%^	April 2049	609.69	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:

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