

October 17, 2017

Indiabulls Housing Finance Limited

Summary of Rated Instruments

Sl.	Trust Name	Instrument*	Initial Amount (Rs. crore ¹)	Rating action
1	INNOVATION TRUST XXVIII JUN 2017	PTC Series A	329.96	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 Innovation Trust XXVIII Jun 2017 trust as final, as tabulated above. In this transaction, the PTCs are backed by receivables from a Rs. 329.96 crore pool of LAP and HL loan contracts.

Rationale

In July 2017, ICRA had assigned Provisional [ICRA]AAA(SO) ratings to PTCs issued by Innovation Trust XXVIII Jun 2017 trust. Since the executed transaction documents are in line with the rating conditions and the legal opinion and due diligence audit certificate 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 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

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.

¹ 100 lakh = 1 crore = 10 million

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.

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	Innovation Trust XXVIII Jun-17	2.0% - 4.0%	12% - 18% p a.

Analytical approach:

The rating action is based on the trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

Links to applicable Criteria

[Rating Methodology for Securitisation Transactions](#)

About the Originator:

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.

ICRA has rated three PTC transactions of IBHFL till date. The performance of past rated transaction of IBHFL had 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.

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. crore)	Month-year & Rating October 2017	Month- year & Rating in July 2017	Month-year & Rating in FY2017	Month-year & Rating in FY2016
1	INNOVATION TRUST XXVIII JUN 2017	PTC Series A	329.96	[ICRA]AAA (SO)	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

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	[ICRA]AAA(SO)

** Scheduled maturity 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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