

Press Release

INDIA BULLS HOUSING FINANCE LIMITED - RETAIL INNOVATION TRUST

February 22, 2024

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Pass Through Certificates (PTCs)	171.81	Provisional ACUITE BBB+ SO Assigned	-
Total Outstanding Quantum (Rs. Cr)	171.81	-	-

Rating Rationale

Acuite has assigned its long term rating of '**ACUITE PROVISIONAL BBB+(SO)**' (read as **ACUITE Provisional triple B plus (Structured Obligation)**) to the Pass Through Certificates (PTCs) of Rs. 171.81 Cr. proposed to be issued by Retail Innovation TRUST (Trust) under a securitisation transaction originated by Indiabulls Housing Finance Ltd (IHFL) and Indiabulls Commercial Credit Ltd (ICCL) (The Originator). The PTCs are backed by a pool of secured housing and LAP loans with principal outstanding of Rs. 214.76 Cr.

The rating addresses the timely payment of interest and principal on monthly payment dates in accordance with the transaction documentation. The transaction is structured at par.

The rating is based on the strength of cash flows from the selected pool of contracts; the credit enhancement is available in the form of

(i) Excess cash flow (excess interest and principal arising due to non-servicing of junior tranche) to the tune of 66.37% of the pool principal o/s

The rating of the PTCs is provisional and shall be converted to final rating subject to the execution of the following documents:

1. Trust Deed
2. Deed of Assignment
3. Servicing Agreement
4. Legal Opinion
5. Final Term Sheet
6. Any other documents relevant to the transaction

About the Originator

Indiabulls Housing Finance Limited – Indiabulls Housing Finance Limited (IBHFL) is a public Ltd company incorporated on 10 May, 2005, under the provisions of the Companies Act, 1956 as a wholly owned subsidiary of Indiabulls Financial Services Limited (IBFSL). Indiabulls Housing Finance Limited is engaged in the business of Housing Finance activities which include inter alia providing finance to eligible person for purchase of residential property. The Company is registered with the National Housing Bank as a housing finance institution (without accepting public deposits) and also as a financial institution under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. The present directors of the company are Mr. Gagan Banga, Mr. Sachin Chaudhary, Mr. Achuthan Siddharth, Mr. Dinabandhu Mohapatra, Mr. Satish Chand Mathur, Mr. Subhash Sheoratan Mundra, Ms. Shefali Shah and Mr. Rajiv Gupta. The registered office of the company is in New Delhi.

Indiabulls Commercial Credit Limited – Incorporated in 2006. The company is engaged in

the business of financing, investment and allied activities. The company is currently managed by Mr. Ajit Kumar Mittal, Mr. Rajiv Gandhi, Mr. Dinabandhu Mohapatra, Mr. Anil Malhan, Mr. Satish Chand Mathur, Mr. Nikita Sureshchand Tulsian and Mr. Gorinka Jaganmohan Rao. The company has its registered office at Delhi.

Assessment of the pool

IHFL group had Assets under management of Rs 63,569 Crs as on Sep 30, 2023. The current pool being securitised comprises 0.34 percent of the total AUM. The underlying pool in the current Pass Through Certificate (PTC) transaction comprises of housing and LAP loans extended towards 1129 individual borrowers and 46 commercial borrowers, with an average ticket size of Rs. 23.52 lakhs, minimum ticket size of Rs. 0.12 lakhs. and maximum of Rs. 22 Crore, indicating moderate granularity. The current average outstanding per borrower stands at Rs. 18.28 lakhs. The weighted average original tenure for pool is 387 months for Housing Loan and 311 months for LAP (minimum 22 months & maximum 572 months). The pool has weighted average seasoning of 75 months for Housing Loan and 81 months for LAP (minimum 10 months seasoning and maximum of 150 months seasoning). Hence, the pool has low seasoning. There is a delinquency of 12.9% in housing loan and 71% in LAP as of the cut-off date. The pool's geographical concentration is high. 28.84% of these borrowers are concentrated in Maharashtra. The top 5 borrowers of pool constitute 14.29% i.e. Rs. 30.69 Cr. of the pool principal O/s.

Credit Enhancements (CE)

(i) Excess cash flow (excess interest and principal arising due to non-servicing of junior tranche) to the tune of 66.37% of the pool principal o/s

Transaction Structure

The rating addresses the timely payment of interest and principal on monthly payment dates in accordance with the transaction documentation. The transaction is structured at par.

Legal Assessment

The provisional rating is based on a draft term sheet. The conversion of rating from provisional to final, shall include, besides other documents, the legal opinion to the satisfaction of Acuité. The legal opinion shall cover, adherence to RBI guidelines, true sale, constitution of the trust, bankruptcy remoteness and other related aspects.

Key Risks

Counterparty Risks

The pool has an average ticket size of Rs. 23.52 lakhs, minimum ticket size of Rs. 0.12 lakhs. and maximum of Rs. 22 Crore. Considering the vulnerable credit profile of the borrowers, the risk of delinquencies/defaults are elevated. These risks of delinquencies are partly mitigated, considering the efficacy of the originator's origination and monitoring procedures.

Concentration Risks

The pool is moderately granular as underlying pool in the current Pass-Through Certificate (PTC) transaction comprises of Home Loans and Loan Against Property extended towards 1129 individual borrowers and 46 commercial borrowers. There is also a geographic concentration with 28.84% of these borrowers are concentrated in Maharashtra, which is partially mitigated as the pool is spread across various branches. The top 5 borrowers of pool constitute 14.29% i.e. Rs. 30.69 Cr. of the pool principal O/s.

Servicing Risk

The originator has a healthy track record of servicing PTCs since FY14. Hence, the risk of servicing remains partly mitigated.

Regulatory Risk

In the event of a regulatory stipulation impacting the bankruptcy remoteness of the structure, the payouts to the PTC holders may be impacted.

Prepayment Risk

The pool is subject to prepayment risks since rate of interest is significantly high and borrowers may be inclined to shift to low cost options (based on availability). Further, the asset class being housing loans, the risk of prepayment remains high. In case of significant prepayments, the PTC holders will be exposed to interest rate risks, since the cash flows from prepayment will have to be deployed at lower interest rates.

Commingling Risk

The transaction is subject to commingling risk since there is a time gap between last collection date and transfer to payout account.

Key Rating sensitivity

If the stress factor for the transaction is increased by 10 percent, the rating of the transaction would not get impacted.

All Covenants (Applicable only for CE & SO Ratings)

The following covenant is included in the transaction structure: On each Payout Date the amounts present in the collection and payment account by way of: Proceeds realised by the Trustee from the Receivables in the Collection Period immediately preceding the relevant Payout Date and deposited in the collection and payment account by the Servicer; Any amounts then available in the collection and payment account; and Amounts drawn, to the extent necessary, from the Credit Enhancement and transferred to the collection and payments account in accordance with the Transaction Documents, shall be utilized by the Trustee as per the waterfall mechanism.

All Assumptions

Acuité has arrived at a base case delinquency estimate basis its analysis of the company's historical static pool and further applied appropriate stress factors to the base loss figures to arrive at the final loss estimates. The loss estimate also consider the risk profile of the particular asset class, the borrower strata, economic risks, collection efficiency over the past several months as well as the credit quality of the originator. Acuité also has simulated the potential losses to an extent by applying sensitivity analysis.

Liquidity Position

Adequate

The liquidity position in the transaction is adequate. The PTC payouts is supported by an internal credit enhancement in the form of excess cash flow (excess interest and principal arising due to non-servicing of junior tranche) to the tune of 66.37% of the pool principal o/s.

Outlook

Not Applicable

Other factors affecting the rating

None

Key Financials - Originator

IBHFL and Its Subsidiary ICCL

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	74508.91	81417.77
Total Income*	Rs. Cr.	3089.30	2752.28
PAT	Rs. Cr.	1127.68	1177.74
Net Worth	Rs. Cr.	17361.25	16674.06

Return on Average Assets (RoAA)	(%)	1.45	1.35
Return on Average Net Worth (RoNW)	(%)	6.63	7.18
Debt/Equity	Times	3.02	3.68
Gross NPA	(%)	3.50	3.90
Net NPA	(%)	2.30	2.30

Any other information

None

Status of disclosure of all relevant information about the Obligation being Rated

Non- Public

Supplementary disclosures for Provisional Ratings

Risks associated with the provisional nature of the credit rating

In case there are material changes in the terms of the transaction after the initial assignment of the provisional rating and post the completion of the issuance (corresponding to the part that has been issued) Acuité will withdraw the existing provisional rating and concurrently assign a fresh final rating in the same press release, basis the revised terms of the transaction.

Rating that would have been assigned in absence of the pending steps/ documentation

In the absence of the pending steps/documents the PTC structure would have become null and void, and Acuité would not have assigned any rating.

Timeline for conversion to Final Rating for a debt instrument proposed to be issued

The provisional rating shall be converted into a final rating within 90 days from the date of issuance of the proposed debt instrument. Under no circumstance shall the provisional rating continue upon the expiry of 180 days from the date of issuance of the proposed debt instrument.

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Applicable Criteria

Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>

Securitised transactions - <https://www.acuite.in/view-rating-criteria-48.htm>

Explicit Credit Enhancement - <https://www.acuite.in/view-rating-criteria-49.htm>

Application of Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Rating History

Not applicable.

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not avl. / Not appl.	Pass Through Certificate	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Highly Complex	171.81	Provisional ACUITE BBB+ SO Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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