

Press Release

INDIA BULLS HOUSING FINANCE LIMITED - INDIA RETAIL POOL 25

July 10, 2024

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Pass Through Certificates (PTCs)	85.06	Provisional ACUITE A SO Assigned	-
Total Outstanding Quantum (Rs. Cr)	85.06	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE PROVISIONAL A(SO)**' (read as **ACUITE PROVISIONAL A (Structured Obligation)**) to the Pass Through Certificates (PTCs) of Rs. 76.56 Cr. proposed to be issued by Retail Innovation TRUST IV (Trust) under a securitisation transaction originated by Indiabulls Housing Finance Limited (IHFL) (The Originator). The PTCs are backed by a pool of secured housing loans with principal outstanding of Rs. 85.06 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 (principal arising due to non-servicing of junior tranche) to the tune of 10.00% of the pool principal o/s
- (ii) Investment in ABFRL Mutual Funds to the tune of 10.00% of the pool principal o/s
- (iii) Excess Interest Spread of 48.72% of the pool principal o/s.

The rating of the PTCs is converted to final from provisional as following documents are received:

1. Trust Deed
2. Deed of Assignment
3. Servicer Agreement
4. Legal Opinion
5. Final Term Sheet

About the Originator

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.

Assessment of the pool

current Pass Through Certificate (PTC) transaction comprises of housing loans extended towards 1,493 individual borrowers, with an average ticket size of Rs. 7.49 lakhs, minimum ticket size of Rs. 0.10 lakhs. and maximum of Rs. 6.50 Crore, indicating moderate granularity. The current average outstanding per borrower stands at Rs. 5.70 lakhs. The weighted average original tenure for pool is 261.95 months (minimum 31 months & maximum 502 months). The pool has weighted average seasoning of 52.29 months for Housing Loan (minimum 10 months seasoning and maximum of 194 months seasoning). Hence, the pool has low seasoning. The pool's geographical concentration is moderately high. 15.03% of these borrowers are concentrated in Haryana. The top 5 borrowers of pool constitute 13.76% i.e. Rs. 11.71 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 10.00% of the pool principal o/s
- (ii) Investment in ABFRL Mutual Funds to the tune of 10.00% of the pool principal o/s
- (iii) Excess Interest Spread of 48.72% 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.

Brief Methodology

Parameters considered are seasoning of the pool, pool vs portfolio, portfolio cuts, amortisation of the pool, internal cash flow modeling, pool characteristics, static pool, dynamic DPDs to assign provisional rating.

Legal Assessment

The legal opinion to the satisfaction of Acuité is received. The legal opinion 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. 7.49 lakhs, minimum ticket size of Rs. 0.10 lakhs. and maximum of Rs. 6.5 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 extended towards 1,493 individual borrowers. There is also a geographic concentration with 15.03% of these borrowers are concentrated in Haryana, which is partially mitigated as the pool is spread across various branches. The top 5 borrowers of pool constitute 13.76% i.e. Rs. 11.71 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 64.12% of the pool principal o/s and external credit enhancement in the form of ABFRL Mutual funds.

Outlook: Not Applicable

Key Financials - Originator

IBHFL and Its Subsidiary ICCL

Particulars	Unit	FY 2024 (Actual)	FY 2023 (Actual)
Total Assets	Rs. Cr.	72,832.00	74,508.91
Total Income*	Rs. Cr.	3,319.00	3,089.30
PAT	Rs. Cr.	1,217.00	1,127.68
Net Worth	Rs. Cr.	19,792.00	17,361.25
Return on Average Assets (RoAA)	(%)	1.65	1.45
Return on Average Net Worth (RoNW)	(%)	6.55	6.63
Debt/Equity	Times	2.45	3.02
Gross NPA	(%)	2.69	2.86
Net NPA	(%)	1.52	1.90

*Total income includes Net Interest Income and Other Income

Any other information

None.

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

Non Public

Supplementary disclosures for Provisional Ratings

A. Risks associated with the provisional nature of the credit rating

1. Absence of any Entity to take appropriate measures to protect the interest of the debenture holders in case of any breach of the trust deed or law.
2. Absence of support from the group entity in case of an exigency.
3. Absence of any structured payment mechanism.
4. 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) Acuite 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.

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

Acuite would not have been able to assign any rating in absence of the pending steps/documentation, as the transaction structure as articulated does not exist.

C. 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, Acuite 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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Securitized Transactions: <https://www.acuite.in/view-rating-criteria-48.htm>
- Explicit Credit Enhancements: <https://www.acuite.in/view-rating-criteria-49.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	85.06	Provisional ACUITE A 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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