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## ICRA reaffirms ratings assigned to senior PTCs under MBS programme of Sundaram BNP Paribas Home Finance Limited

ICRA has reaffirmed the LAAA (SO) (pronounced L triple A Structured Obligation) rating assigned to the Senior Pass Through Certificates (PTC) issued by SHFL Housing Finance Trust Aug-04, Special Purpose Vehicle (SPV) for the Mortgage Backed Securitisation (MBS) programme of Sundaram BNP Paribas Home Finance Limited (SBPHFL)<sup>†</sup>.

The collection efficiency for this pool of home loans has been high (almost 100%) leading to low credit enhancement utilisation in the pool. The current rating factors in the performance of the pool till date and the expected performance over the balance tenure and the credit enhancement available for the payouts on the balance senior rated tranche.

The transaction has three series of PTCs. PTC Series A1 and A2 are senior, of which only A1 is rated. Principal repayment to PTC A2 starts only after PTC A1 is fully repaid. The other unrated PTC Series B is subordinated to PTC A1 and has similar tenure as A1 and receives principal payment every month after PTC A1 has received its share. While the yield to PTC A1 is fixed at 7.00%, the pool IRR is variable, with 38% of the pool (by value) relating to floating rate loans. The prepaid principal is passed on to PTC A1 and PTC A2 in the ratio of principal outstanding against each of the PTC series.

The pool has now amortised by 78% while PTC A1 has amortised by 85%. On account of increase in interest rates on the underlying variable rate loans, the Excess Interest Spread (EIS) in the pool has also increased. There has been no cash collateral utilisation in the pool since the subordination cum EIS has been adequate to support the potential shortfall in investor payouts. After the monthly payout in Jan-10, the credit enhancement available for the senior PTCs in the form of cash collateral was 13.3%, EIS was 38% and principal subordination was 39%, all expressed as a % of outstanding PTC A1 Principal.

ICRA will continue to monitor the performance of this transaction. Any further rating action will be based on the performance of this pool and the availability of credit enhancement relative to ICRA's expectations.

Incorporated in 1999, Sundaram Home Finance is a medium-sized housing finance company initially promoted by Sundaram Finance Limited (SFL), which held a 100% stake in the company. In fiscal 2007-08, pursuant to an agreement between SFL and BNP Paribas Personal Finance (formerly Union de Credit pour le Batiment), a subsidiary of BNP Paribas, the latter acquired a 49.9% stake in SBPHFL. SBPHFL, which is based out of Chennai, had a portfolio size of Rs. 17.12 billion as on 30 September 2009. SBPHFL has outstanding ratings of LAA and MAA+ from ICRA for its various debt instruments, indicating low credit risk in the long and medium term respectively. The rating assigned by ICRA to the short-term debt instruments of SBPHFL is A1+, indicating lowest credit risk in the short term.

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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](http://www.icra.in)

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

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