

February 25, 2022

## Indostar Home Finance Private Limited: Rating confirmed as final for PTCs backed by home loan and loan against property loan receivables

### Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Star HFC Trust Dec21	PTC Series A	115.33	[ICRA]AAA(SO); provisional rating confirmed as final

\*Instrument details are provided in Annexure-1

### Rationale

In January 2022, ICRA had assigned Provisional [ICRA]AAA(SO) rating to pass-through certificate (PTCs) Series A issued by Star HFC Trust Dec21. The PTCs are backed by loan receivables of a Rs. 115.33-crore pool (pool principal, receivables of Rs. 272.43 crore) of home loans (HL) and loan against property loans (LAP) contracts originated by Indostar Home Finance Private Limited (IHFP; rated [ICRA]A1+). Since the executed transaction documents are in line with the rating conditions, and the legal opinion for the transaction have been provided to ICRA, the said rating has now been confirmed as final.

A summary of the pool performance after the February 2022 payout is shown in the table below:

Parameter	Star HFC Trust Dec21
Months post securitisation	2
Pool amortisation	3.46%
PTC Amortisation	3.46%
Cumulative collection efficiency (including advance collections)	99.81%
Loss-cum-0+ dpd	0.48%
Loss cum 30+ dpd	0.00%
Cumulative Prepayment rate	2.46%
Cumulative cash collateral (CC) utilisation	0.00%

### Key rating drivers

#### Credit strengths

- Availability of CE in the form of EIS and CC
- Nil overdue contracts as on the pool cut-off date
- Moderate weighted average seasoning of ~20 months
- High share of contracts in pool with CIBIL score of more than 700 (~92%)

#### Credit challenges

- Moderate geographical concentration with share of top state at ~30%
- PTC Yield for the pool is linked to an external benchmark while interest rate on the underlying loans is linked to originator's lending rate which leads to a basis risk in the structure
- Pool's performance will remain exposed to any disruptions that may arise due to the Covid-19 pandemic

## Description of key rating drivers highlighted above

The first line of support for PTC Series A in the transaction is in the form of EIS (~64%). A CC of 8.00% of the initial pool principal (Rs. 9.23 crore), provided by IHFPL, would act as a further CE in the transaction. In the event of a shortfall in meeting the promised PTC pay-outs during any month, the trustee will utilise the CC to meet the shortfall.

The underlying loans follow monthly payment schedule. The scheduled cash flow promised to the PTC investors on each payout date includes 100% of the monthly billed principal on the pool and interest at the contracted yield. The pool amortisation schedule and thus the promised payouts to the PTC investors are subject to modification on account of prepayments. The residual EIS (after meeting scheduled PTC payout and top up of CC, if any, in any month) would leak out to the originator. The final maturity date for the PTCs is May 13, 2046.

There are no overdues in the pool as on the cut-off date. The weighted average seasoning of the pool is moderate at ~20 months as on the pool cut-off date (November 30, 2021). Further, high share of loan contracts (~94%) in the pool having a CIBIL score of more than 700. The pool has high geographical concentration with the top state (Maharashtra) contributing 29.6% of the initial pool principal amount. The PTC yield for the pools is linked to an external benchmark while interest rate on the underlying loans is linked to originator's lending rate, this leads to a basis risk in the structure. Also, the performance of the pool would remain exposed to disruptions caused by the pandemic.

**Performance of past rated pools:** ICRA has no live PTC transactions for IHFPL.

## Key rating assumptions

ICRA's cash flow modelling for rating mortgage-backed securitisation (MBS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the tenor of the pool) and prepayments in the pool. The assumptions for the loss and coefficient of variation (CoV) are arrived at after taking into account the past performance of the originator's portfolio and the rated pools as well as the characteristics of the specific pool being evaluated. Additionally, the assumptions may be adjusted to factor in the current operating environment and any industry-specific factors that ICRA believes could impact the performance of the underlying pool of contracts.

After making these adjustments, the expected mean shortfall in principal collection during the tenure of the pool is estimated at 3.5-4.5%, with certain variability around it. The prepayment rate for the underlying pool is estimated at 12.0-20.0% per annum.

## Liquidity position: Superior

The cash collections and the credit collateral available in the transaction are expected to be highly comfortable to meet the PTC Series A investor payouts. Assuming a monthly collection efficiency of even 50% in the underlying pool of contracts in a stress scenario, the recommended CC would cover the shortfalls in the PTC payouts for more than 36 months.

## Rating sensitivities

**Positive factors** - Not applicable

**Negative factors** - The rating could be downgraded on the sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and CE utilisation levels.

## 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.

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a>
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

## About the company

Incorporated in January 2016, Indostar Home Finance Private Limited (IHFPL) is a housing finance company (HFC). It is a wholly-owned subsidiary of IndoStar Capital Finance Limited (Indostar). IHFPL offers housing loans with a focus on the affordable housing segment, with ticket sizes ranging from Rs. 3 lakh to Rs. 30 lakh. The loan book is currently equally split between the salaried and self-employed segments with 82% of the loan book concentrated in four states, i.e. Tamil Nadu, Maharashtra, Andhra Pradesh and Telangana. While ~57% of the loan book has a tenor of over 15 years, ~26% of the exposures have a loan-to-value (LTV) of less than 70%. Portfolio's 65% of sourcing is through Direct Sales Team and 35% through the DSA Channel.

In FY2021, IHFPL reported a net profit of Rs. 27.95 crore on an asset base of about Rs. 890.34 crore compared to a net profit of Rs. 14.20 crore on an asset base of Rs. 793.51 crore in FY2020.

## Key financial indicators

IHFPL	FY2019 (audited)	FY2020 (audited)	9M FY2021 (provisional)
Profit after tax	(19)	14	34
Loan book (AUM)	530	753	753
Gross NPA	0.1%	0.7%	1.5%
Net NPA	0.3%	2.7%	5.1%

Source: Company, ICRA Research; Amount in Rs. crore

## Indostar Capital Finance Limited

Indostar Capital Finance Limited (ICFL) was originally incorporated as R V Vyapaar Private Ltd. in July 2009. The company's name was changed to IndoStar Capital Finance Private Limited in November 2010 and to IndoStar Capital Finance Limited in April 2014. The company is registered with the Reserve Bank of India (RBI) as a systemically important non-deposit accepting non-banking financial company. It is sponsored by a group of financial institutions including Everstone Capital, Goldman Sachs Group, Baer Capital Partners and ACPI Investment Managers.

IndoStar Capital (ICF Mauritius), a company incorporated in Mauritius, has a majority shareholding in ICFL with a 57.02% stake as on September 30, 2018. ICF Mauritius is promoted by the sponsors of ICFL. ICFL got listed in May 2018 and received a fresh equity infusion of Rs. 700 crore. The promoters & promoter group's stake stood at 60.3% as on December 31, 2018. ICFL initially provided wholesale loans to the real estate and non-real estate segments. It commenced commercial vehicle financing in addition to SME financing. In July 2020, the Brookfield deal was completed with Rs. 1,225 crore of infusion of equity. Post the deal and the open offer, Brookfield holds ~57% of the shares on a fully-diluted basis.

The company has short term rating of [ICRA]A1+as on Apr-21.

## Key financial indicators

ICFL	FY2020 (audited)	FY2021 (audited)	Q2 FY2022 (provisional)
Total revenues	738	581	145
Profit after tax	(324)	(214)	39
Loan book (AUM)	9,690	8,398	8,117
Gross NPA	4.8%	4.4%	4.7%
Net NPA	3.8%	2.1%	2.3%

Source: Company, ICRA Research; Amount in Rs. crore

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

	Trust	Current Rating (FY2022)				Chronology of Rating History for the past 3 years			
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating		Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					February 25, 2022	January 04, 2022			
1	Star HFC Trust Dec21	PTC Series A	115.33	115.33	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-	-

## Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A	Moderately Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument details

Trust Name	Instrument Type	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating and Outlook
Star HFC Trust Dec21	PTC Series A	January 2022	7.28%#	May 2046	115.33	[ICRA]AAA(SO)

\*Scheduled maturity date at transaction initiation; may change on account of prepayments

# 1-year Marginal Cost of funds based Lending Rate (MCLR) + 0.03%

### Annexure-2: List of entities considered for consolidated analysis

Not Applicable

## ANALYST CONTACTS

**Abhishek Dafria**

+91 22 6114 3440

[abhishek.dafria@icraindia.com](mailto:abhishek.dafria@icraindia.com)

**Sachin Joglekar**

+91 22 22 6114 3470

[sachin.joglekar@icraindia.com](mailto:sachin.joglekar@icraindia.com)

**Gaurav Mashalkar**

+91 22 6114 3431

[gaurav.mashalkar@icraindia.com](mailto:gaurav.mashalkar@icraindia.com)

**Himanshi Doshi**

+91 22 61143410

[himanshi.doshi@icraindia.com](mailto:himanshi.doshi@icraindia.com)

## RELATIONSHIP CONTACT

**L Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



© Copyright, 2022 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.