

December 22, 2023

## Indostar Home Finance Private Limited: Rating reaffirmed for PTCs issued under home loan and loan against property securitisation transaction

### Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount after Previous Rating Exercise (Rs. crore)	Amount O/s after Nov-23 Payout (Rs. crore)	Rating Action
Star HFC Trust Dec21	PTC Series A	115.33	85.01	68.00	[ICRA]AAA(SO); Reaffirmed

\*Instrument details are provided in Annexure I

### Rationale

The pass-through certificates (PTCs) are backed by a pool of home loan and loan against property (LAP) receivables originated by Indostar Home Finance Private Limited (IHFPPL). The rating has been reaffirmed on account of the pool amortisation, which has led to the build-up of the credit enhancement (CE) cover over the future PTC payouts. The rating draws comfort from the fact that the breakeven collection efficiency is comfortable compared to the actual collection level observed in the pool till the November 2023 payout month.

### Pool performance summary

A summary of the performance of the pool till the November 2023 payout month has been tabulated below.

Parameter	Star HFC Trust Dec21
Months post securitisation	23
Pool amortisation	41.0%
PTC amortisation	41.0%
Cumulative collection efficiency <sup>1</sup>	99.9%
Loss-cum-90+ (% of initial pool principal) <sup>2</sup>	0.1%
Loss-cum-180+ (% of initial pool principal) <sup>3</sup>	0.0%
Breakeven collection efficiency <sup>4</sup>	69.8%
Cumulative cash collateral (CC) utilisation (% of initial CC)	0.0%
CC available (as % of balance pool principal)	13.6%
Excess interest spread (EIS) over balance tenure (as % of balance pool principal)	57.2%
Cumulative prepayment rate <sup>5</sup>	35.7%

### Key rating drivers

#### Credit strengths

- Pool amortisation resulting in build-up of CE available for the balance PTC payouts
- Low delinquency level exhibited by the pool

<sup>1</sup> Cumulative collections till date / Cumulative billings till date + Opening overdues

<sup>2</sup> POS on contracts aged 90+ dpd + Overdues / Initial POS on the pool

<sup>3</sup> POS on contracts aged 180+ dpd + Overdues / Initial POS on the pool

<sup>4</sup> It is the minimum collection efficiency required over the balance tenure to ensure all investor payouts are met: (Balance cash flows payable to investor – Credit collateral available) / Balance pool cash flows

<sup>5</sup> POS at the time of prepayment of contracts prepaid till date / Initial pool principal

## Credit challenges

- PTC yield 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
- Performance of the pool would remain exposed to macro-economic shocks / business disruptions, if any

## Description of key rating drivers highlighted above

The scheduled cash flow promised to the PTC investors on each payout date includes 100% of the monthly billed principal on the pool and the interest at the contracted yield. The PTC yield for the pool is linked to an external benchmark while the interest rate on the underlying loans is linked to the originator's lending rate, leading to basis risk in the structure. The performance of the pool has been healthy with a cumulative collection efficiency of 99.9% and the loss-cum-90+ days past due (dpd) has been low at 0.1% till the November 2023 payout month. Any shortfall in the collections has been absorbed by the excess interest spread (EIS) in the structure and there has been no cash collateral (CC) utilisation in the transaction till the November 2023 payout month. The pool has amortised by 41.0%, leading to a build-up of the CE cover for future PTC payouts.

Overall, the CE available for meeting the balance payouts to the investors is sufficient to reaffirm the rating at the current levels in the transaction. ICRA will continue to monitor the performance of the pool. Any further rating action will be based on the performance of the pool and the availability of CE relative to ICRA's expectations. The performance of the pool would remain exposed to macro-economic shocks / business disruptions, if any

**Performance of past rated pools:** ICRA has rated five PTC transactions backed by mortgage loan receivables originated by IHFPL. The performance of the live pools has been robust with a cumulative collection efficiency of more than 98% and nil CC utilisation as of the November 2023 payout month.

## Key rating assumptions

ICRA's cash flow modelling for the surveillance of mortgage-backed securitisation (MBS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the balance 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 rated pools as well as the performance and 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 the aforementioned adjustments, the expected loss and prepayments during the balance tenure of the pool are expected to be in the range of 2.0-3.0% (as a percentage of initial pool principal) and 6.0-20.0%, respectively.

## Liquidity position: Superior

The liquidity of the PTCs is expected to be superior, supported by the healthy collections expected from the pool of contracts and the presence of CC at ~14% of the balance pool principal amount. Even assuming a monthly collection efficiency of only 50% in the underlying pool of contracts in a stress scenario, the CC would cover the shortfalls in the PTC payouts for more than 47 months.

## Rating sensitivities

**Positive factors** – Not applicable

**Negative factors** – The rating could be downgraded on the sustained weak collection performance of the underlying pool, leading to higher-than-expected delinquency levels and CE utilisation levels. Weakening in the credit profile of the servicer could also exert pressure on the rating.

## Analytical approach

The rating action is based on the performance of the pool till October 2023 (collection month), the present delinquency profile of the pool, the CE available in the transaction, and the performance expected over the balance tenure of the pool.

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 originator

Incorporated in January 2016, 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. As of September 30, 2023, IHFPL's on-book loan portfolio stood at Rs. 1,492 crore compared to Rs. 1,214 crore in June 2022. In FY2023, the company reported a net profit of Rs. 38 crore on an asset base of about Rs. 906 crore compared to Rs. 34 crore and Rs. 800 crore, respectively, in FY2022.

## Key financial indicators

	FY2022	FY2023	H1 FY2024*
Total revenue	145	209	138
PAT	34	38	22.2
Gross loan book	1,406	1,623	1,894
Gross stage 3	1.8%	1.3%	1.3%
Net stage 3	1.2%	0.9%	1.0%

Source: Company data, ICRA Research; Amount in Rs. crore; \*unaudited

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

## Any other information: None

## Rating history for past three years

Trust Name	Instrument	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years				
		Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	
				Dec 22, 2023	Feb 28, 2023	Feb 25, 2022	Jan 04, 2022	-
1 Star HFC Trust Dec21	PTC Series A	115.33	68.00	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-

## Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Star HFC Trust Dec21	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: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Trust Name	Instrument Type	Date of Issuance	Coupon Rate (p.a.p.m.)	Maturity Date*	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Star HFC Trust Dec21	PTC Series A	December 2021	Floating; Linked to 1-year MCLR of investor	May 2046	68.00	[ICRA]AAA(SO)

*\*Based on scheduled maturity of the pool's contracts; may change on account of prepayment and yield change*

**Annexure II: 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 6114 3470

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

**Himanshi Doshi**

+91 22 6114 3410

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

**Ritu Rita**

+91 22 6114 3409

[ritu.rita@icraindia.com](mailto:ritu.rita@icraindia.com)

**Vishal Oza**

+91 22 6114 3432

[vishal.oza@icraindia.com](mailto:vishal.oza@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



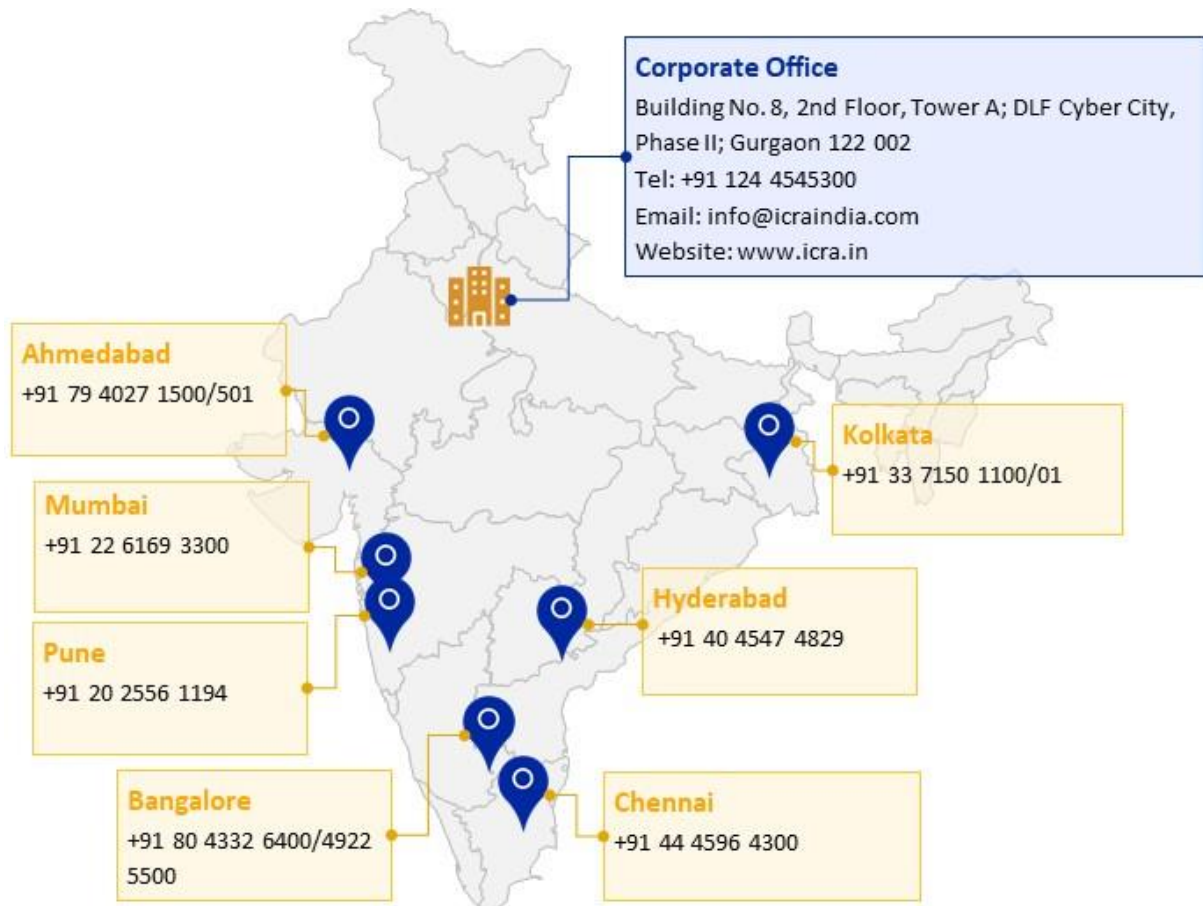
### Registered Office

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

Tel: +91 11 23357940-45



### Branches



© Copyright, 2023 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.