

January 29, 2024

## Piramal Capital & Housing Finance Limited: Ratings upgraded/reaffirmed for purchaser payouts and PTCs issued under five mortgage loan securitisation transactions

### Summary of rating action

Trust Name*	Instrument^	Initial Rated Amount (Rs. crore)	Amount Outstanding after Previous Rating Exercise (Rs. crore)	Amount after Dec-23 Payout (Rs. crore)	Rating Action
DHFL Mortgage Loan Pool D.A. Feb-12	Purchaser payouts	431.84	36.04	22.34	[ICRA]AAA(SO); Reaffirmed
DHFL Mortgage Loan Pool D.A. Feb-12 II	Purchaser payouts	239.00	16.12	9.71	[ICRA]AAA(SO); Reaffirmed
Nirmaan RMBS Trust Series I 2013	PTC Series A2	33.10	33.10	28.58	[ICRA]AAA(SO); Upgraded from [ICRA]AA+(SO)
Nirmaan RMBS Trust Series I 2017	PTC Series A	313.64	67.10	45.70	[ICRA]AAA(SO); Reaffirmed
	Second loss facility (SLF)	16.47	16.47	16.47	[ICRA]AA+(SO); Upgraded from [ICRA]A-(SO)
Nirmaan RMBS Trust Series II 2017	PTC Series A	240.39	74.35	58.97	[ICRA]AAA(SO); Reaffirmed

\*The five transactions/trusts have been referred as D.A. Feb-12, D.A. Feb-12 II, Nirmaan I 2013, Nirmaan I 2017 and Nirmaan II 2017 in this release

^ Instrument details are provided in Annexure I

### Rationale

The rating action factors in the healthy collections from the pools, even during periods of stress arising from erstwhile Dewan Housing Finance Corporation Limited's (DHFL) bankruptcy proceedings and the Covid-19 pandemic, such that any shortfall was met through the excess interest spread (EIS) with no recourse required on the cash collateral. The purchaser payouts and pass-through certificates (PTCs) are backed by home loan receivables originated by erstwhile DHFL. As a part of the takeover of DHFL by the Piramal Group, Piramal Capital & Housing Finance Limited was reverse merged into DHFL with effect from September 30, 2021 and the amalgamated entity (DHFL) was rechristened Piramal Capital & Housing Finance Limited {PCHFL; rated [ICRA]AA (Stable)}.

Post-merger, PCHFL has managed to continue with the strong collections for the securitised pools with no major disruptions. The investors in the transactions had taken over the servicing role for Nirmaan I 2013 and Nirmaan II 2017 and the delinquency levels remain within ICRA's estimates. The breakeven collection efficiency for all the transactions is much less compared to the actual collection levels observed in the pools till the December 2023 payout month.

The ratings draw comfort from the significant amortisation in the transactions, which led to considerable build-up of credit enhancement for all the pools to partially cover the balance PTC payouts. ICRA, however, notes that the performance of the pools would remain exposed to macro-economic shocks/business disruptions.

## Pool performance summary

A summary of the performance of the pools till December 2023 (payout month) has been presented below.

Parameter	D.A. Feb-12	D.A. Feb-12 II	Nirmaan I 2013	Nirmaan I 2017	Nirmaan II 2017
Months post securitisation	143	142	129	81	81
Pool amortisation (% of initial pool principal)	94.87%	95.94%	91.39%	84.56%	75.16%
Cumulative collection efficiency <sup>1</sup>	99.73%	99.83%	99.58%	98.74%	98.08%
Loss-cum-90+ dpd (% of initial pool principal) <sup>2</sup>	0.36%	0.22%	0.60%	2.02%	2.46%
Loss-cum-180+ dpd (% of initial pool principal) <sup>3</sup>	0.31%	0.17%	0.56%	1.48%	2.06%
Cumulative utilisation of CC (% of initial CC)	Nil	Nil	Nil	Nil	Nil
CC (% of balance pool principal)	89.86%	103.79%	50.62%	66.41%	20.13%
Breakeven collection efficiency <sup>4</sup>	37.48%	33.66%	57.51%	39.26%	75.71%

## Key rating drivers

### Credit strengths

- Healthy performance of all the pools with cumulative collection efficiency of over 98% after the December 2023 payout and stable delinquency levels
- Significant amortisation of the pools, resulting in build-up of credit enhancement over the balance payouts

### Credit challenges

- Yield for the pools (except D.A. Feb-12 II) is linked to an external benchmark while interest rate on the underlying loans is linked to PCHFL's lending rate, leading to basis risk in the structure
- For Nirmaan I 2017, PTC yield is fixed while interest rate on the underlying loans is linked to PCHFL's lending rate, leading to interest risk in the structure
- Pools' performance would remain exposed to macro-economic shocks/business disruptions

## Description of key rating drivers highlighted above

In October 2021, ICRA had placed the ratings for all the transactions under Rating Watch with Positive Implications due to the successful completion of the bankruptcy proceedings for DHFL under the Insolvency and Bankruptcy Code. The ratings had been upgraded in January 2022 following the significant improvement in the credit profile of the servicer as the merger with the Piramal Group was completed. The current rating action is supported by the healthy performance of the pools.

The cumulative collection efficiency has been above 98% for all the pools till the December 2023 payouts. Any shortfall in collections has been absorbed by the EIS in the structure. The delinquencies across all the buckets have broadly remained stable. The pools originated in FY2012 and FY2013 have amortised significantly in excess of 90%, while the two pools originated in FY2017 have amortised by more than 75%. This has resulted in high credit enhancement build-up for all the pools (except Nirmaan II 2017 for which the build-up is moderate). The pools' performance would, nonetheless, remain exposed to macro-economic shocks/business disruptions.

<sup>1</sup> (Cumulative collections till date)/(Cumulative billing till date + Opening overdues at the start of the transaction)

<sup>2</sup> (Unbilled and overdue principal portion of contracts delinquent by more than 90 days + Crystallised loss, if any)/(Initial pool principal)

<sup>3</sup> (Unbilled and overdue principal portion of contracts delinquent by more than 180 days + Crystallised loss, if any)/(Initial pool principal)

<sup>4</sup> (Balance cashflows payable to investor – CC available)/Balance pool cashflows

## Key rating assumptions

ICRA's cashflow 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 considering 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 are 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 loss and prepayments during the balance tenure of the pools are given in the table below.

S. No.	Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
1	D.A. Feb-12	0.1% - 0.6%	12% - 18% p.a.
2	D.A. Feb-12 II	0.1% - 0.6%	12% - 18% p.a.
3	Nirmaan I 2013	0.1% - 0.6%	12% - 18% p.a.
4	Nirmaan I 2017	1.5% - 2.0%	12% - 18% p.a.
5	Nirmaan II 2017	2.0% - 2.5%	12% - 18% p.a.

## Liquidity position

### For D.A. Feb-12, D.A. Feb-12 II, Nirmaan I 2013 and Nirmaan I 2017: Superior

The liquidity is superior after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement for the transactions would be in the range of ~9-19 times the estimated loss in the pool. For the second loss facility (SLF), the liquidity is superior after factoring in the first loss facility (FLF) available for the top-up of the SLF, if needed, as per the defined waterfall mechanism.

### For Series A PTC of Nirmaan II 2017: Strong

The liquidity for Series A PTC is strong after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be 3.8 times the estimated loss in the pool.

## Rating sensitivities

**Positive factors for SLF of Nirmaan I 2017** – The rating could be upgraded on the sustained strong collection performance of the underlying pool of contracts (monthly collection efficiency >95%), leading to lower-than-expected delinquency levels, and on an increase in the cover available for the future investor payouts from the credit enhancement.

**For other rated instruments** – Not applicable

**Negative factors** – The sustained weak collection performance of the underlying pool of contracts (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a rating downgrade. Weakening in the credit profile of the servicer could also exert pressure on the ratings.

## Analytical approach

The rating action is based on the pools' performance till the December 2023 payouts, the present delinquency levels and the performance expected over the balance tenure of these pools.

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

Piramal Capital & Housing Finance Limited (PCHFL), a wholly-owned subsidiary of Piramal Enterprises Limited (PEL), was incorporated in February 2017 and received a housing finance licence from National Housing Bank (NHB) in September 2017. PCHFL is engaged in real estate lending, housing finance, corporate lending, and emerging corporate lending across sectors. It has 343 branches spread across 25 states.

Dewan Housing Finance Corporation Limited was incorporated as Dewan Housing and Leasing Company Limited in 1984 with a focus on the housing finance business catering to the low-and-middle-income borrower segment. It was admitted under the National Company Law Tribunal (NCLT) in December 2019 and, subsequently in January 2021, erstwhile PCHFL was chosen as the successful resolution applicant by DHFL's Committee of Creditors for the resolution of DHFL. As per the resolution plan approved by the NCLT, DHFL's existing liabilities were discharged by erstwhile PCHFL and a consideration of Rs. 34,250 crore (comprising upfront cash of Rs. 14,700 crore and issuance of debt instruments of Rs. 19,550 crore) was paid to DHFL's creditors. PCHFL was reverse merged with DHFL with effect from September 30, 2021, and the amalgamated entity was rechristened Piramal Capital & Housing Finance Limited.

The erstwhile PCHFL was incorporated in February 2017 as a subsidiary of Piramal Finance Limited and received its housing finance licence from NHB in September 2017. As per a scheme of amalgamation, Piramal Finance Limited and Piramal Capital Limited were merged with the erstwhile PCHFL, w.e.f. March 31, 2018, with PCHFL becoming a direct subsidiary of PEL. Consequent to the merger, the Piramal Group's financial services business, including real estate lending, housing finance, corporate lending and emerging corporate lending, was housed under PCHFL and PHL Fininvest Private Limited (PFPL), a fellow subsidiary.

## Key financial indicators

PCHFL	FY2021	FY2022	FY2023	H1 FY2024
As per	Ind-AS	Ind-AS	Ind-AS	Ind-AS
<b>Total income</b>	5,088	6,187	6,650	3,355
<b>Profit after tax</b>	1,034	526	-7,425	100
<b>Assets under management</b>	32,353	52,044	50,427	51,965
<b>Gross NPA</b>	3.5%	2.3%	3.5%	3.1%
<b>Net NPA</b>	1.9%	1.2%	1.9%	1.7%

Source: PCHFL and ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

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

**Any other information: None**

### Rating history for past three years

S. No.	Instrument	Current Rating (FY2024)			Chronology of Rating History for the Past 3 Years					
		Type	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
					Jan 29, 2024	Jan 31, 2023	Jan 14, 2022	Oct 22, 2021	Jun 04, 2021	Nov 26, 2020
1	<b>DHFL Mortgage Loan Pool D.A. Feb-12*</b>	Purchaser payouts	431.84	22.34	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AA+(SO)	[ICRA]C (SO)%	[ICRA]C (SO)	[ICRA]D (SO)

\* The initial rating for the pool was done in February 2012

% The symbol implies that the rating is under Watch with Positive Implications

S. No.	Instrument	Current Rating (FY2024)			Chronology of Rating History for the Past 3 Years					
		Type	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
					Jan 29, 2024	Jan 31, 2023	Jan 14, 2022	Oct 22, 2021	Jun 04, 2021	Nov 26, 2020
2	<b>DHFL Mortgage Loan Pool D.A. Feb-12 II*</b>	Purchaser payouts	239.00	9.71	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AA+(SO)	[ICRA]D (SO)%	[ICRA]D (SO)	[ICRA]D (SO)

\* The initial rating for the pool was done in March 2012

% The symbol implies that the rating is under Watch with Positive Implications

S. No.	Instrument	Current Rating (FY2024)			Chronology of Rating History for the Past 3 Years					
		Type	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
					Jan 29, 2024	Jan 31, 2023	Jan 14, 2022	Oct 22, 2021	Jun 04, 2021	Nov 26, 2020
3	<b>Nirmaan RMBS Trust Series I 2013*</b>	PTC Series A2	33.10	28.58	[ICRA]AAA(SO)	[ICRA]AA+(SO)	[ICRA]AA(SO)	[ICRA]BB(SO)%	[ICRA]BB(SO)	[ICRA]BB(SO)&

\* The initial rating for the pool was done in April 2013

& The symbol implies that the rating is under Watch with Developing Implications

% The symbol implies that the rating is under Watch with Positive Implications

S. No.	Instrument	Current Rating (FY2024)			Chronology of Rating History for the Past 3 Years					
		Type	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
					Jan 29, 2024	Jan 31, 2023	Jan 14, 2022	Oct 22, 2021	Jun 04, 2021	Nov 26, 2020
4	Nirmaan RMBS Trust Series I 2017*	PTC Series A	313.64	45.70	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AA+(SO)	[ICRA]C(SO)%	[ICRA]C (SO)	[ICRA]D (SO)
		Second loss facility	16.47	16.47	[ICRA]AA+(SO)	[ICRA]A-(SO)	[ICRA]BBB+(SO)	[ICRA]C(SO)%	[ICRA]C (SO)	[ICRA]D (SO)

\* The initial rating for the pool was done in March 2017

% The symbol implies that the rating is under Watch with Positive Implications

S. No.	Instrument	Current Rating (FY2024)			Chronology of Rating History for the Past 3 Years					
		Type	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
					Jan 29, 2024	Jan 31, 2023	Jan 14, 2022	Oct 22, 2021	Jun 04, 2021	Nov 26, 2020
5	Nirmaan RMBS Trust Series II 2017*	PTC Series A	240.39	58.97	[ICRA]AAA(SO)	[ICRA]AAA (SO)	[ICRA]AA(SO)	[ICRA]BB(SO)%	[ICRA]BB(SO)	[ICRA]BB(SO)&

\* The initial rating for the pool was done in March 2017

& The symbol implies that the rating is under Watch with Developing Implications

% The symbol implies that the rating is under Watch with Positive Implications

### Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
DHFL Mortgage Loan Pool D.A. Feb-12	Purchaser payouts	Moderately Complex
DHFL Mortgage Loan Pool D.A. Feb-12 II	Purchaser payouts	Moderately Complex
Nirmaan RMBS Trust Series I 2013	PTC Series A2	Moderately Complex
Nirmaan RMBS Trust Series I 2017	PTC Series A	Simple
	Second loss facility	Simple
Nirmaan RMBS Trust Series II 2017	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**

Trust Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating
<b>DHFL Mortgage Loan Pool D.A. Feb-12</b>	Purchaser payouts	January 2012	9.70%#	February 2042	22.34	[ICRA]AAA(SO)
<b>DHFL Mortgage Loan Pool D.A. Feb-12 II</b>	Purchaser payouts	January 2012	10.23%##	February 2042	9.71	[ICRA]AAA(SO)
<b>Nirmaan RMBS Trust Series I 2013</b>	PTC Series A2	March 2013	9.04%##	March 2042	28.58	[ICRA]AAA(SO)
<b>Nirmaan RMBS Trust Series I 2017</b>	PTC Series A	March 2017	7.25%	February 2042	45.70	[ICRA]AAA(SO)
	Second loss facility (SLF)	March 2017	-	-	16.47	[ICRA]AA+(SO)
<b>Nirmaan RMBS Trust Series II 2017</b>	PTC Series A	March 2017	7.87%#	March 2042	58.97	[ICRA]AAA(SO)

Source: Company

# Variable; subject to change owing to change in investor's benchmark rate

## Variable; subject to change owing to change in pool yield

**Annexure II: List of entities considered for consolidated analysis**

Not Applicable



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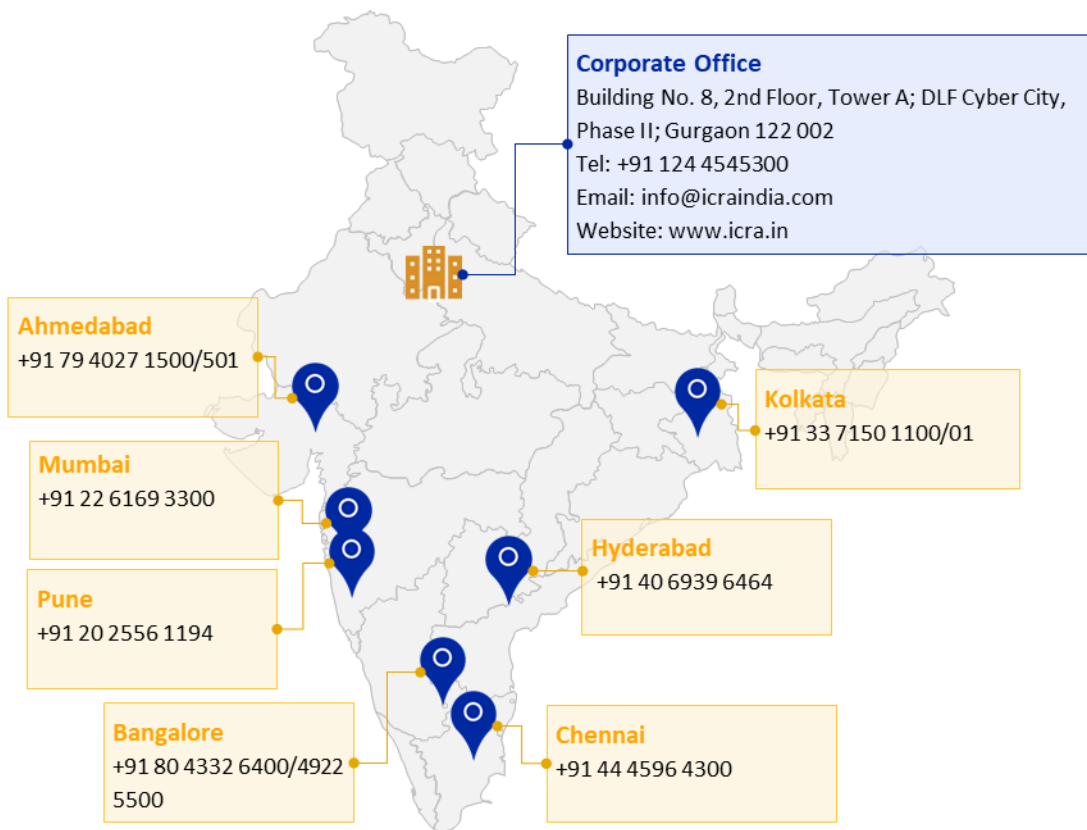
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