

May 24, 2024

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

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount after Previous Rating Exercise (Rs. crore)	Amount O/s after April 2024 Payout (Rs. crore)	Rating Action
Star HFC Trust Nov 2022	Series A PTCs	74.02	NA	49.70	[ICRA]AAA(SO); Reaffirmed
Star HFC PTC Trust Jan 2023	Series A1 PTC	58.15	NA	38.59	[ICRA]AAA(SO); Reaffirmed

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by pools of home loan and loan against property (LAP) receivables originated by Indostar Home Finance Private Limited (IHFPL). The rating has been reaffirmed on account of the moderate amortisation of the pools, 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 pools till the April 2024 payout month.

Pools performance summary

A summary of the performance of the pools till the April 2024 payout month has been tabulated below.

Parameter	Star HFC Trust Nov 2022	Star HFC PTC Trust Jan 2023
Months post securitisation	16	13
Pool amortisation	25.6%	20.0%
PTC amortisation	32.8%	33.6%
Cumulative collection efficiency ¹	99.3%	99.5%
Loss-cum-90+ (% of initial pool principal) ²	0.7%	0.4%
Loss-cum-180+ (% of initial pool principal) ³	0.0%	0.4%
Breakeven collection efficiency ⁴	49.0%	69.8%
Cumulative cash collateral (CC) utilisation (% of initial CC)	0.0%	0.0%
CC available (as % of balance pool principal)	10.8%	3.7%
Excess interest spread (EIS) over balance tenure (as % of balance pool principal)	93.7%	91.0%
Cumulative prepayment rate ⁵	21.7%	14.9%

¹ Cumulative collections till date / Cumulative billings till date + Opening overdues

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

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

⁴ 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

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

Key rating drivers

Credit strengths

- Pool amortisation resulting in build-up of CE available for the balance PTC payouts for both pools
- Low delinquency levels exhibited by both pools

Credit challenges

- PTC yield for the pools is linked to an external benchmark while the interest rate on the majority of the underlying loans is fixed, leading to an interest rate risk in the structure for both pools
- Performance of the pools would remain exposed to macro-economic shocks/business disruptions

Description of key rating drivers highlighted above

The scheduled cash flow promised to the PTC investors on each payout date includes the promised interest payment at the contracted yield on the principal outstanding for both transactions. The principal repayment is promised on the final maturity date. The surplus excess interest spread (EIS) available after meeting the promised and expected payouts to the PTCs will be used for the accelerated redemption of the principal repayments. The performance of the pools has been healthy with a cumulative collection efficiency of more than 99% while the loss-cum-90+ days past due (dpd) was below ~1% till the April 2024 payout month. The PTC yield for the pools is linked to an external benchmark while the interest rate on most of the underlying loans is fixed, leading to an interest rate risk in the structure for both transactions. Any shortfall in collections has been absorbed by the EIS in the structure with no cash collateral (CC) utilisation in the transactions till the April 2024 payout month. The gradual amortisation of the pools has led to the 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 level in the transactions. ICRA will continue to monitor the performance of the pools. Any further rating action will be based on the performance of the pools and the availability of CE relative to ICRA's expectations. The performance of the pools would remain exposed to macro-economic shocks/business disruptions.

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 April 2024 payout month.

Key rating assumptions

ICRA's cash flow modelling for the surveillance of mortgage-backed securitisation 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 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 pools is given in the table below.

Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
Star HFC Trust Nov 2022	3.25-4.25%	6-20% p.a.
Star HFC PTC Trust Jan 2023	3.00-4.00%	6-20% p.a.

Liquidity position: Superior

The liquidity for the PTCs is superior for both transactions after factoring in the CE available to meet the promised payouts to the investors. The total CE would be more than 10 times the estimated loss in the pool for both transactions.

Rating sensitivities

Positive factors – Not applicable

Negative factors – The rating could be downgraded on the sustained weak collection performance of the underlying pools, 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 pools till March 2024 (collection month), the present delinquency profile of the pools, the CE available in the transactions, and the performance expected over the balance tenure of the pools.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
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. The company reported a net profit of Rs. 44 crore on an AUM of about Rs. 2,270 crore in FY2024 compared to Rs. 38 crore and Rs. 1,623 crore, respectively, in FY2023.

Key financial indicators

	FY2022	FY2023	FY2024
Total income	95	144	183
PAT	34	38	44
AUM	1,406	1,623	2,270
Gross stage 3	1.8%	1.3%	1.1%
CRAR	1.1%	0.9%	0.8%

Source: Company data, 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 Name	Instrument	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years			
		Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				May 24, 2024	May 16, 2023	Jan 05, 2023	-
1 Star HFC Trust Nov 2022	Series A PTCs	74.02	49.70	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-

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		Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				May 24, 2024	May 10, 2023	March 29, 2023	-
2 Star HFC PTC Trust Jan 2023	Series A1 PTC	58.15	38.59	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Star HFC Trust Nov 2022	Series A PTCs	Complex
Star HFC PTC Trust Jan 2023	Series A1 PTC	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 Nov 2022	Series A PTCs	December 2022	9.20%**	May 2047	49.70	[ICRA]AAA(SO)
NA	Star HFC PTC Trust Jan 2023	Series A1 PTC	March 2023	9.25%#	May 2042	38.59	[ICRA]AAA(SO)

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

** Repo linked, 6 monthly reset, Repo + 2.70%

Linked to DCB, i.e. investor's EBLR rate

Annexure II: List of entities considered for consolidated analysis

Not applicable

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