

June 19, 2024

## Piramal Capital & Housing Finance Limited: Rating confirmed as final for SNs backed by home loan receivables issued by Nirvana Trust March 2024

### Summary of rating action

| Trust Name               | Instrument*  | Current Rated Amount (Rs. crore) | Rating Action  |
|--------------------------|--------------|----------------------------------|--|
| Nirvana Trust March 2024 | Series A SNs | 260.15                           | [ICRA]AAA(SO); provisional rating confirmed as final |

\*Instrument details are provided in Annexure I

### Rationale

ICRA had assigned a provisional rating to the Series A securitisation notes (SNs) issued by Nirvana Trust March 2024 under a securitisation transaction originated by Piramal Capital & Housing Finance Limited {PCHFL/Originator; rated [ICRA]AA(Stable)}. The SNs are backed by a pool of home loan (HL) receivables with an aggregate principal outstanding of Rs. 260.15 crore (pool receivables of Rs. 564.99 crore).

Since the executed documents are in line with the rating conditions and the legal opinion for the transaction has been provided to ICRA, the said rating has now been confirmed as final.

### Pool performance summary

| Parameter                                     | Nirvana Trust March 2024 |
|---|--------------------------|
| Payout month                                  | April 2024               |
| Months post securitisation                    | 2                        |
| Pool amortisation                             | 3.78%                    |
| Series A SNs amortisation                     | 3.78%                    |
| Cumulative collection efficiency <sup>1</sup> | 99.30%                   |
| Cumulative prepayment rate                    | 3.05%                    |
| Loss-cum-0+ dpd <sup>2</sup>                  | 3.98%                    |
| Loss-cum-30+ dpd <sup>3</sup>                 | 0.00%                    |
| Loss-cum-90+ dpd <sup>4</sup>                 | 0.00%                    |
| Cumulative cash collateral (CC) utilisation   | 0.00%                    |

### Transaction Structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout and promised principal payout (100% of the pool principal billed). Any surplus excess interest spread (EIS), after meeting the promised payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of Series A SN principal.

The credit enhancement available in the structure is in the form of (i) a CC of 11.00% of the initial pool principal, amounting to Rs. 28.62 crore, to be provided by the Originator, and (ii) the EIS of 22.39% of the initial pool principal for Series A SN.

<sup>1</sup> Cumulative collections including advances / (Cumulative billings + Opening overdues at the time of securitisation)

<sup>2</sup> Principal outstanding on contracts aged 0+ dpd / Principal outstanding on the pool at the time of securitisation

<sup>3</sup> Principal outstanding on contracts aged 30+ dpd / Principal outstanding on the pool at the time of securitisation

<sup>4</sup> Principal outstanding on contracts aged 90+ dpd / Principal outstanding on the pool at the time of securitisation

## Key rating drivers and their description

### Credit strengths

**Availability of credit enhancement** – The credit enhancement available in the form of the CC and EIS would absorb some amount of the losses, if any, in the pool and provide support in meeting the SN payouts

**No overdue contracts in the pool** – The pool has been filtered in such a manner that there are no overdue contracts as on the cut-off date. Further, none of the contracts in the pool have ever been delinquent, which is a credit positive

**Healthy bureau score of borrowers** – In the pool, ~70% of the borrowers (in terms of the principal amount outstanding on the cut-off date) had a CIBIL score of at least 750, which reflects their relatively better credit profile

### Credit challenges

**High geographical concentration** – The pool has high geographical concentration with the top 3 states, viz. Maharashtra, Delhi and Karnataka, contributing ~61% to the initial pool principal amount. The pool’s performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc

**Exposed to basis risk** – The yield for the SN is linked to an external benchmark while the interest rate on the underlying loans is floating and linked to 6M-I-MCLR, leading to basis risk in the structure

**Risks associated with lending business** – The pool’s performance would remain exposed to macro-economic shocks/business disruptions

### Key rating assumptions

ICRA’s cash flow modelling for rating securitisation transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator’s loan portfolio as well as the characteristics of the specific pool being evaluated. The resulting collections from the pool, after incorporating the impact of the losses and prepayments, are accounted for in ICRA’s cash flow model, in accordance with the cash flow waterfall of the transaction.

For the current pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 4.25%, with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 4.0% to 18.0% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final rating for the instrument.

### Details of key counterparties

The key counterparties in the rated transaction are as follows:

| Transaction Name                   | Nirvana Trust March 2024                  |
|------------------------------------|---|
| Originator                         | Piramal Capital & Housing Finance Limited |
| Servicer                           | Piramal Capital & Housing Finance Limited |
| Trustee                            | Catalyst Trusteeship Limited              |
| Cash Collateral Bank/ Provider     | ICICI Bank                                |
| Collection and payout account Bank | ICICI Bank                                |

## Liquidity position: Strong

The liquidity for the SNs is strong after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be 5.2 times the estimated loss in the pool.

## Rating sensitivities

**Positive factors** – Not applicable

**Negative factors** – The rating could be downgraded on the sustained weak collection performance of the underlying pool of contracts (monthly collection efficiency of less than 90%), leading to higher-than-expected delinquency levels and credit enhancement 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 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             |  |
|---------------------------------|--|
| Applicable rating methodologies | <a href="#">Rating Methodology for Securitisation Transactions</a> |
| Parent/Group support            | Not Applicable   |
| Consolidation/Standalone        | Not Applicable   |

## About the originator

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 provides real estate loans, housing finance, corporate loans, and emerging corporate loans across sectors. It has 343 branches spread across 25 states.

In January 2021, PCHFL had emerged as the successful resolution applicant for Dewan Housing Finance Corporation Limited (DHFL), which was undergoing insolvency and bankruptcy proceedings. As per the resolution plan approved by the National Company Law Tribunal (NCLT), DHFL's existing liabilities were discharged by 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.

On May 8, 2024, PEL announced that its board of directors (BoD) has approved a composite scheme of arrangement, whereby it would be reverse merged with its wholly-owned subsidiary, PCHFL. The merged entity would be renamed Piramal Finance Limited (PFL). Further, PCHFL's BoD approved the conversion of the entity to a non-banking financial company - investment and credit company (NBFC-ICC) from a housing finance company (HFC). Accordingly, PCHFL will apply to the Reserve Bank of India (RBI) for an NBFC-ICC licence and continue to operate as an HFC in the interim.

## Key financial indicators

| PCHFL (standalone)      | FY2022 | FY2023 | FY2024 |
|-------------------------|--------|--------|--------|
| Total income            | 6,187  | 6,650  | 6,712  |
| Profit after tax        | 526    | -7,425 | -1,911 |
| Assets under management | 52,044 | 50,427 | 53,696 |
| Gross NPA               | 2.3%   | 3.5%   | 2.4%   |
| Net NPA                 | 1.2%   | 1.9%   | 1.0%   |
| CRAR                    | 22.0%  | 26.8%  | 21.6%  |

Source: Company, 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. | Trust Name               | Instrument   | Current Rating (FY2025)  |                                | Chronology of Rating History for the Past 3 Years |                           |                         |                         |
|--------|--------------------------|--------------|--------------------------|--------------------------------|---|---------------------------|-------------------------|-------------------------|
|        |                          |              | Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating in FY2025                           | Date & Rating in FY2024   | Date & Rating in FY2023 | Date & Rating in FY2022 |
|        |                          |              |                          |                                | June 19, 2024                                     | March 22, 2024            | -                       | -                       |
| 1      | Nirvana Trust March 2024 | Series A SNs | 260.15                   | 260.15                         | [ICRA]AAA(SO)                                     | Provisional [ICRA]AAA(SO) | -                       | -                       |

### Complexity level of the rated instrument

| Trust Name               | Instrument   | Complexity Indicator |
|--------------------------|--------------|----------------------|
| Nirvana Trust March 2024 | Series A SNs | 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   | Date of Issuance / Sanction | Coupon Rate (p.a.p.m.) | Maturity Date  | Amount Rated (Rs. crore) | Current Rating |
|---------------------------------|--------------|-----------------------------|------------------------|----------------|--------------------------|----------------|
| <b>Nirvana Trust March 2024</b> | Series A SNs | March 22, 2024              | 9.00%^                 | March 13, 2049 | 260.15                   | [ICRA]AAA(SO)  |

*^Floating, linked to 6M-I-MCLR  
Source: Company*

**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 61143470

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

**Anubhav Agrawal**

+91 22 6114 3439

[anubhav.agrawal@icraindia.com](mailto:anubhav.agrawal@icraindia.com)

**Diptajyoti Banik**

+91 22 6114 3412

[diptajyoti.banik@icraindia.com](mailto:diptajyoti.banik@icraindia.com)

**Ekta Baheti**

+91 22 6114 3423

[ekta.baheti@icraindia.com](mailto:ekta.baheti@icraindia.com)

## RELATIONSHIP CONTACT

**Mr. 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, 2024 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.