

June 21, 2024

## Nido Home Finance Limited: Rating confirmed as final for securities backed by pool of home loan receivables issued by HL Trust 25

### Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
HL Trust 25	Series A1 ABS	52.18	[ICRA]AAA(SO); provisional rating confirmed as final

\*Instrument details are provided in Annexure I

### Rationale

ICRA had assigned a provisional rating to Series A1 ABS issued by HL Trust 25 under a securitisation transaction originated by Nido Home Finance Limited (Nido/Originator, rated [ICRA]A+; Rating Watch with Negative Implications). The securities are backed by a pool of home loan (HL) receivables originated by Nido with an aggregate principal outstanding of Rs. 57.98 crore (pool receivables of Rs. 139.73 crore).

Since the executed transaction 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	HL Trust 25
Payout month	May 2024
Months post securitisation	1
Pool amortisation	3.0%
Series A1 ABS amortisation	3.3%
Cumulative collection efficiency <sup>1</sup>	100.5%
Loss cum 0+ dpd	0.5%
Loss cum 30+ dpd	0.0%
Loss cum 90+ dpd <sup>2</sup>	0.0%
Cumulative prepayment rate	2.8%
Cumulative cash collateral (CC) utilisation	0.0%

### Transaction Structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout and principal payout (90% of the pool principal billed). The balance principal (10% of the pool principal billed) is expected to be paid on a monthly basis until the maturity of Series A1 ABS. Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, would be passed on as the expected yield to Series A2 ABS (subordinated tranche held by the Originator). Any prepayment in the pool would be used for the prepayment of Series A1 ABS principal.

The credit enhancement available in the structure is in the form of (i) a CC of 10.00% of the initial pool principal amounting to Rs. 5.80 crore provided by the Originator, (ii) subordination of 10.00% of the initial pool principal (Series A2 ABS held by Originator) for Series A1 ABS, and (iii) the EIS of 51.47% of the initial pool principal for Series A1 ABS.

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

<sup>2</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

**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.

**Contracts backed by self-occupied residential properties** – The pool is backed by self-occupied residential properties. This is expected to support the quality of the pool as it has been observed that borrowers tend to prioritise repayments towards such loans even during financial stress. Further, the credit enhancement available in the form of the CC, subordination and EIS would absorb some amount of the losses in the pool and provide support in meeting the Series A1 ABS payouts.

**Healthy bureau score of borrowers** – In the pool, 74% of the borrowers (in terms of the principal amount outstanding on the cut-off date) had a CIBIL score of 750 and above, 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, Gujarat and Tamil Nadu, contributing ~59% 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 interest rate risk** – The transaction is exposed to interest rate risk as the underlying pool has a mix of fixed and floating rate loans, whereas yield on PTCs is fixed.

**Risks associated with lending business** – The pool's performance would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans.

## 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 6.0% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 6.0% to 20.0% 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 transactions are as follows:

Transaction Name	HL Trust 25
Originator	Nido Home Finance Limited
Servicer	Nido Home Finance Limited
Trustee	IDBI Trusteeship Services Limited
CC Bank	IDBI Bank Limited

<b>Transaction Name</b>	<b>HL Trust 25</b>
<b>Collection and payout account Bank</b>	ICICI Bank Limited

### Liquidity position: Superior

The liquidity for Series A1 ABS is superior after factoring in the credit enhancement available to meet the promised payouts to the investor. The total CE would be 7.75 times the estimated loss in the pool.

### Rating sensitivities

**Positive factors** – Not applicable

**Negative factors** –The sustained weak collection performance of the underlying pool (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 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	Comments
Applicable rating methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

### About the originator

Nido Home Finance Limited (Nido) is a housing finance company registered with National Housing Bank. It was incorporated in FY2011 following the Edelweiss Group’s strategy of creating a footprint in the affordable housing space. As a part of the Group’s positioning exercise, the company was rechristened Nido Home Finance Limited (formerly Edelweiss Housing Finance Limited) in May 2023. In recent years, the company has realigned its strategy to focus on low ticket-sized home loans.

Nido reported a net profit of Rs. 16.1 crore on total income of Rs. 444.7 crore in FY2023 compared to Rs. 13.8 crore and Rs. 513.9 crore, respectively, in FY2022. As of March 31, 2023, its capitalisation profile was characterised by a net worth of Rs. 794.5 crore, a gearing of 2.33 times and a capital adequacy ratio of 32.1%.

#### Edelweiss Financial Services Limited (parent)

Edelweiss Financial Services Limited (Edelweiss), the holding company of the Edelweiss Group of companies, was incorporated in 1995 to offer investment banking services primarily to technology companies. At present, the Group is engaged in wholesale and retail lending, home finance, distressed assets resolution, general insurance, life insurance, alternatives and asset management.

On a standalone basis, Edelweiss posted a total income of Rs. 3,089 crore and a profit after tax (PAT) of Rs. 2,388 crore in FY2023 compared to Rs. 1,373 crore and Rs. 933 crore, respectively, in FY2022. On a consolidated basis, it posted a total income of Rs. 8,633 crore and a PAT of Rs. 344 crore in FY2023 compared to Rs. 7,305 crore and Rs. 189 crore, respectively, in FY2022. With the fair valuation of the stake held in Nuvama in FY2023, the Group had a consolidated net worth of Rs. 7,846 crore as of March 31, 2023. However, following the allotment of the 30% stake held in Nuvama to the shareholders of Edelweiss, the consolidated net worth is expected to decline by ~Rs. 2,352 crore.

**EXHIBIT 1: Key financial indicators**

Edelweiss Financial Services Limited (consolidated)	FY2022	FY2023	FY2024
Total income	7,305	8,633	9,602
Profit after tax – Including minority interest	212	406	528
Loan assets	20,098	17,354	14,804
Gross NPA*	8.46%	12.45%	12.7%
Net NPA	2.15%	3.15%	1.8%

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

\* Excluding credit substitutes

**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		
		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 21, 2024	April 24, 2024			
HL Trust 25	Series A1 ABS	52.18	52.18	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-	-

**Complexity level of the rated instrument**

Instrument	Complexity Indicator
Series A1 ABS	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 and Outlook
HL Trust 25	Series A1 ABS	April 30, 2024	9.10%	April 20, 2057	52.18	[ICRA]AAA(SO)

Source: Company

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

Not Applicable

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### 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)

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