

June 28, 2024

Grihum Housing Finance Limited: Ratings upgraded for PTCs and SLF issued under home loan securitisation transaction

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount after Previous Rating Exercise (Rs. crore)	Amount O/s after May-24 Payout (Rs. crore)	Rating Action
MHFL SECURITISATION TRUST I	PTC Series A1	48.06	16.93	14.58	[ICRA]AAA(SO); Upgraded from [ICRA]AA(SO)
	PTC Series A2	1.74	0.61	0.53	[ICRA]AAA(SO); Upgraded from [ICRA]AA(SO)
	Second Loss Facility	2.99	2.99	2.99	[ICRA]A-(SO); Upgraded from [ICRA]BBB-(SO)

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by a pool of home loan receivables originated by Grihum Housing Finance Limited (GHFL (erstwhile Poonawalla Housing Finance Limited)/Originator; rated [ICRA]A1+). The ratings upgrade takes into account the high amortisation in the transaction, which has led to significant build-up of the credit enhancement cover over the future PTC payouts. The ratings draw comfort from the fact that the breakeven collection efficiency is comfortable compared to the actual collection level observed in the pool till the May 2024 payout month.

Pool performance summary

Parameter	MHFL SECURITISATION TRUST I
Payout month	May-24
Months post securitisation	63
Pool amortisation	68.86%
PTC amortisation	69.67%
Cumulative collection efficiency ¹	99.34%
Loss-cum-90+ (% of initial pool principal) ²	2.56%
Loss-cum-180+ (% of initial pool principal) ³	2.56%
Breakeven collection efficiency ⁴ for PTCs	39.62%
Cumulative credit collateral (CC) utilisation (% of initial CC)	0.00%
CC available (as % of balance pool principal)	40.15%
Excess interest spread (EIS) over balance tenure (as % of balance pool principal)	115.12%
Cumulative prepayment rate ⁵	56.70%

¹ Cumulative collections till date (including advance collections) / 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

Transaction structure

As per the transaction structure, the trust has issued two series of PTCs. The promised cash flows consist of the monthly interest to PTC Series A1 and 100% of the monthly principal (to be split between PTC Series A1 and PTC Series A2, basis their share). PTC Series A2 does not have any promised yield. All prepayments would be passed on to the PTC investors (to be split between PTC Series A1 and PTC Series A2, basis their share). The excess interest spread (EIS) would be passed on to the PTC Series A2 investor as the residual yield. The credit collateral (CC) for the transaction would be split into an unrated first loss facility (FLF) and a rated second loss facility (SLF).

Key rating drivers

Credit strengths

Substantial credit enhancement available in the structure – The ratings factor in the build-up of the credit enhancement with the CC increasing to 40.15% of the balance pool principal. Internal credit support is also available in the form of EIS of 115.12% of the balance pool principal.

Healthy pool performance – The pool's performance has been strong with a cumulative collection efficiency of ~99% till the May 2024 payout month, leading to low delinquencies in the pool with the 90+ days past due (dpd) of 2.6%. Further, there has been no instance of cash collateral utilisation for the pool till date owing to the strong collection performance and the presence of the EIS.

Credit challenges

Exposed to basis risk – The transaction is exposed to basis risk as the underlying pool has floating rate loans linked to GHFL's lending rate, whereas the yield on the PTCs is floating and linked to an external benchmark.

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 pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 1.75% of the initial pool principal with certain variability. The average prepayment rate for the underlying pool is modelled in the range of 5% to 18% 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 ratings for the instruments.

Details of key counterparties

The key counterparties in the rated transaction are as follows:

Transaction Name	MHFL SECURITISATION TRUST I
Originator	GHFL
Servicer	GHFL
Trustee	Catalyst Trusteeship Limited
FLF FD bank	IDFC Bank
SLF FD bank	IDFC Bank
Collection and payout account bank	ICICI Bank

Liquidity position: Superior

The liquidity for the PTC instruments is expected to be superior after factoring in the credit enhancement available to meet the promised payouts to the investor. For the SLF, the liquidity is superior after factoring in the FLF available for the top-up of the SLF, if needed, as per the defined waterfall mechanism. The total credit enhancement would be greater than 10 times the estimated loss for the pool.

Rating sensitivities

Positive factors – Not applicable for the PTCs

For the SLF, the sustained strong collection performance of the underlying pool of contracts, leading to lower-than-expected delinquency levels, and an increase in the cover available for future investor payouts from the credit enhancement could result in a rating upgrade.

Negative factors – The sustained weak collection performance of the underlying pool, leading to higher-than-expected delinquency levels and credit enhancement utilisation levels, would be a negative factor. Weakening in the credit profile of the servicer (GHFL) could also exert pressure on the ratings.

Analytical approach

The rating action is based on the performance of the pool till May 2024 (payout month), the present delinquency profile of the pool, the credit enhancement available in the pool, and the performance expected over the balance tenure of the pool.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the Originator

GHFL is registered with National Housing Bank as a non-deposit taking housing finance company. It was initially promoted as GE Money Housing Finance by GE Capital Corporation and was acquired by Magma Fincorp Limited (MFL) in February 2013. Following the acquisition of a controlling stake by the Adar Poonawalla-led Rising Sun Holdings Private Limited in MFL, the company was renamed Poonawalla Housing Finance Limited in July 2021. Its name was subsequently changed to Grihum Housing Finance Limited.

GHFL provides housing loans, loan against property (LAP) and construction finance. Its assets under management stood at Rs. 8,277 crore as on March 31, 2024. On a standalone basis, GHFL reported a profit after tax of Rs. 140 crore on a total asset base of Rs. 8,277 crore in FY2024 against a profit after tax of Rs. 115 crore on a total asset base of Rs. 6,289 crore in FY2023. The company's reported gross stage 3 assets ratio and capital-to-risk weighted assets ratio (CRAR) stood at 1.0% and 47.3%, respectively, as on March 31, 2024 (0.8% and 34.8%, respectively, as on March 31, 2023).

Key financial indicators (audited; standalone)

GHFL	FY2022	FY2023	FY2024
Total income	470	716	1,046
Profit after tax	77	115	140
Assets under management	5,060	6,289	8,277
Gross stage 3 assets (on-book)	1.0%	0.8%	1.0%
CRAR	42.8%	34.8%	47.3%

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

Trust Name	Current Rating (FY2025)			Chronology of Rating History for the Past 3 Years			
	Instrument	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
				Jun 28, 2024	Jun 27, 2023	Jun 20, 2022	Jun 24, 2021
MHFL SECURITISATION TRUST I	PTC Series A1	48.06	14.58	[ICRA]AAA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)
	PTC Series A2	1.74	0.53	[ICRA]AAA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)
	Second Loss Facility	2.99	2.99	[ICRA]A-(SO)	[ICRA]BBB-(SO)	[ICRA]BBB-(SO)	[ICRA]BBB-(SO)

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
MHFL SECURITISATION TRUST I	PTC Series A1	Moderately Complex
	PTC Series A2	Moderately Complex
	Second Loss Facility	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	MHFL SECURITISATION TRUST I	PTC Series A1	March 06, 2019	Floating; Linked to 1-year MCLR of investor	July 26, 2041	14.58	[ICRA]AAA(SO)
		PTC Series A2		Residual		0.53	[ICRA]AAA(SO)
		Second Loss Facility		-		2.99	[ICRA]A-(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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