

June 30, 2024

## Piramal Capital & Housing Finance Limited: Provisional [ICRA]AAA(SO) assigned to Series A1 SN backed by home loan and top up linked loan receivables issued by Nirvana Trust June 2024

### Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Nirvana Trust June 2024	Series A SN	188.10	Provisional [ICRA]AAA(SO); Assigned

\*Instrument details are provided in Annexure I

Rating in the absence of the pending actions/documents	No rating would have been assigned as it would not be meaningful
--	--

### Rationale

The securitisation notes (SNs) are backed by a pool of home loan and top up linked loan receivables originated by Piramal Capital & Housing Finance Limited {PCHFL/Originator; rated [ICRA]AA (Stable)} with an aggregate principal outstanding of Rs. 192.43 crore (pool receivables of Rs. 400.99 crore).

The provisional rating is based on the strength of the cash flows from the selected pool of contracts, the credit enhancement available in the structure as well as the integrity of the legal structure. The rating is subject to the fulfilment of all the conditions under the structure and ICRA's review of the documentation pertaining to the transaction.

### Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout and principal payout (97.75% of the pool principal billed) to Series A1 SN. The balance principal (2.25% of the pool principal billed) is expected to be paid on a monthly basis until the maturity of Series A1 SN. 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 A1 SN principal.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 8.50% of the initial pool principal, to be provided by the Originator, (ii) subordination of 2.25% of the initial pool principal for Series A1 SN, and (iii) the EIS of 22.11% of the initial pool principal for Series A1 SN.

### Key rating drivers and their description

#### Credit strengths

**Availability of credit enhancement** – The credit enhancement available in the form of subordination, CC and EIS would absorb a part of the losses in the pool and provide support in meeting the SN payouts. Further, the pool is granular, consisting of 1,466 contracts, with the top 10 contracts forming only ~5% of the pool principal, thereby reducing the exposure to any single borrower.

**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** – Around 73% of the borrowers (in terms of the principal amount outstanding on the cut-off date) in the pool have a CIBIL score of 750 and above, which reflects their relatively better credit profile.

**Contracts backed by self-occupied residential properties** – The pool is backed by self-occupied residential properties. Thus, borrowers tend to prioritise repayments towards such loans even during periods of financial stress.

### Credit challenges

**High geographical concentration** – The pool has high geographical concentration with the top 3 states, viz. Maharashtra, Telangana and Karnataka, 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 basis risk** – The yield for the SN is linked to an external benchmark (ICICI Bank MCLR) while the interest rate on the underlying loans is floating (linked to PCHFL’s benchmark rate), leading to basis risk in the structure.

**Risks associated with lending business** – The pools’ 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 prepayment 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 3.75%, with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 4.8% 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 rating for the instrument.

### 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 ~5.75 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 (PCHFL) could also exert pressure on the rating.

### Analytical approach

The rating action is based on the analysis of the performance of PCHFL’s home loan portfolio till March 2024, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the credit enhancement cover available in the transaction.

Analytical Approach	
Applicable rating methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

## Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned rating is provisional and would be converted into a final rating upon the execution of:

1. Trust deed
2. Assignment agreement
3. Legal opinion
4. Trustee letter
5. Chartered Accountant's know your customer (KYC) certificate
6. Any other documents executed for the transaction

### Validity of the provisional rating

The trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

### Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at [www.icra.in](http://www.icra.in).

### 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 (audited)

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

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 30, 2024*	-	-	-
<b>Nirvana Trust June 2024</b>	Series A SN	188.10	188.10	<b>Provisional [ICRA]AAA(SO)</b>	-	-	-

\*Provisional rating assigned

### Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A SN	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 June 2024</b>	Series A SN	June 24, 2024	8.90%^	November 13, 2048	188.10	Provisional [ICRA]AAA(SO)

*^ Floating, linked to 6M-I-MCLR (9.00%) minus a fixed spread of 10 bps, to be reset semi-annually  
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 6114 3470

[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.