

July 22, 2024

Piramal Capital & Housing Finance Limited (erstwhile Dewan Housing Finance Corporation Limited): Rating confirmed as final for SNs backed by home loan receivables issued by Nirvana Trust May 2024

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Nirvana Trust May 2024	Series A SN	329.79	[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 May 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. 329.79 crore (pool receivables of Rs. 703.45 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 May 2024
Payout month	June 2024
Months post securitisation	1
Pool amortisation	1.23%
Series A SN amortisation	1.23%
Cumulative collection efficiency ¹	99.69%
Cumulative prepayment rate	0.89%
Loss-cum-0+ dpd ²	0.34%
Loss-cum-30+ dpd ³	0.00%
Loss-cum-90+ dpd ⁴	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 10.75% of the initial pool principal, amounting to Rs. 34.45 crore, to be provided by the Originator, and (ii) the EIS of 22.63% of the initial pool principal for Series A SN.

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

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

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

⁴ 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. Further, the pool is granular, consisting of 2,406 contracts, with top 10 contracts forming only ~3% 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 – In the pool, ~67% 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, Telangana and Karnataka, contributing ~64% 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, 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 4.00%, 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 May 2024
Originator	Piramal Capital & Housing Finance Limited
Servicer	Piramal Capital & Housing Finance Limited
Trustee	Catalyst Trusteeship Limited
Cash collateral holding Bank	ICICI Bank
Collection and payout account Bank	ICICI Bank

Liquidity position: Strong

The liquidity for the SN is strong after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement is 5.5 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 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	Rating Methodology for Securitisation Transactions
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				
			Initial Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Date & Rating in FY2025		Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
					July 22, 2024	May 29, 2024			
1	Nirvana Trust May 2024	Series A SN	329.79	329.79	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Nirvana Trust May 2024	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
Nirvana Trust May 2024	Series A SN	May 28, 2024	8.90%^	October 15, 2048	329.79	[ICRA]AAA(SO)

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

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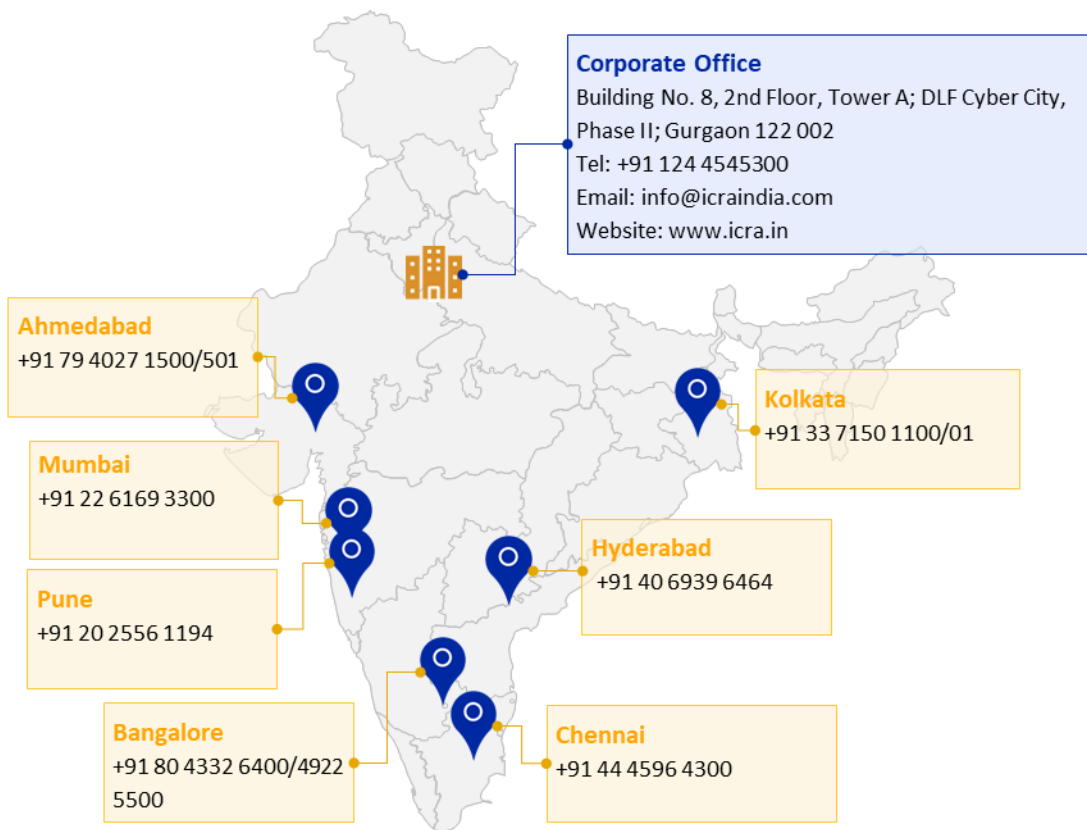
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