

July 26, 2024

IIFL Home Finance Limited: Rating reaffirmed for PTCs issued under a mortgage loan securitisation transaction

Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Elite Mortgage HL Trust June 2019	PTC Series A	358.54	145.15	118.44	[ICRA]AAA(SO); Reaffirmed

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by housing loan receivables originated by IIFL Home Finance Limited {IIFL Home/Originator, rated [ICRA]AA; Rating Watch with Negative implications}. The rating reaffirmation factors in the build-up of the credit enhancement cover over the future PTC payouts on account of the high pool amortisation and healthy pool performance. The rating also draws comfort from the fact that the breakeven collection efficiency is lower than the actual collection level observed in the pool till the June 2024 payout month.

Pool performance summary

Parameter	Elite Mortgage HL Trust June 2019
Payout month	Jun-24
Months post securitisation	60
Pool amortisation	66.23%
PTC amortisation	66.97%
Cumulative collection efficiency ¹	99.40%
Breakeven collection efficiency ²	47.27%
Loss-cum-90+ (% of initial pool principal) ³	0.79%
Loss-cum-180+ (% of initial pool principal) ⁴	0.73%
Cumulative cash collateral (CC) utilisation (% of initial CC)	0.00%
CC available (as % of balance pool principal)	44.42%
Trapped EIS (as % of balance pool principal)	8.89%
Excess interest spread (EIS) over balance tenure (as % of balance pool)	82.29%
Cumulative prepayment rate ⁵	57.35%

Transaction structure

As per the transaction structure, the monthly cashflow schedule comprises the promised interest payout and principal payout (100% of the pool principal billed). The EIS, after meeting promised PTC payouts and top up of CC, if any, is retained in the structure (up to 3% of initial pool principal) as fixed deposit with a lien marked in favour of the trustee. This trapped EIS is available to the investors in case of any shortfall in collections from the underlying contracts. Any residual EIS after this, will

¹ Cumulative collections till date / cumulative billings till date plus opening overdues

² It is the minimum collection efficiency required over the balance tenure to ensure all investor payouts are met: (Balance cash flows payable to investor – cash collateral available – Trapped EIS) / Balance pool cash flows

³ POS on contracts aged 90+ dpd + overdues / Initial POS on the pool

⁴ POS on contracts aged 180+ dpd + overdues / Initial POS on the pool

⁵ Principal outstanding at the time of prepayment of contracts prepaid till date divided by initial pool principal

flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of PTC Series A principal. As of June 2024 payout, the trapped EIS stands at 3% of the initial pool principal.

Reset of credit enhancement

At the Originator's request for resetting the credit enhancement, ICRA has analysed the transaction at a cash collateral (CC) of 13.33% of the balance pool principal (i.e. Rs. 16.13 crore) against the currently available CC of 44.42% of the balance pool principal. Based on the performance of the pool, the rating for the PTCs will remain unchanged even after the reset of the CC amount for the transaction. The CC reset shall be subject to the approval of the PTC investors. However, as per the regulatory guidelines, the amount of CC that can be released would be restricted to 60% of the difference between the current CC amount and the revised CC amount allowed by ICRA.

Key rating drivers and their description

Credit strengths

Healthy pool performance – Performance of the pool has been healthy with cumulative collection efficiency of ~99% which has resulted in low delinquencies in the pool i.e., 90+ days past due (dpd) of 0.8% and 180+ dpd of 0.7% of initial pool principal as on June 2024 payout month. The break-even collection efficiency is also low compared to the collection efficiency observed in the pool.

Substantial credit enhancement available in the structure – The rating factors in the build-up in the credit enhancement with cash collateral increasing to ~44% of the balance pool principal compared to 15% at the time of securitisation. Even after factoring in the proposed reset of cash collateral, the overall credit enhancement would remain adequate for the current rating. Further, there have been no instances of cash collateral utilisation till date owing to strong collection performance and presence of trapped EIS and EIS of in the transaction.

Contracts backed by residential properties – All the contracts in the pool are backed by 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.

Credit challenges

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

Risk associated with lending business – The pool 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 1.25% of the initial pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 5.0% 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	Elite Mortgage HL Trust June 2019
Originator	IIFL Home Finance Limited
Servicer	IIFL Home Finance Limited
Trustee	IDBI Trusteeship Services Limited
CC holding bank	ICICI Bank
Trapped EIS Bank	HDFC Bank, Punjab National Bank
Collection and payout account bank	ICICI Bank

Liquidity position: Superior

The liquidity for PTC Series A is superior after factoring in the credit enhancement available to meet the promised payout to the investors. The total credit enhancement is greater than 10 times the estimated loss in the pool.

Rating sensitivities

Positive factors – Not applicable

Negative factors – The sustained weak collection performance of the underlying pool, 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 (IIFL Home) could also exert pressure on the rating.

Analytical approach

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

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

About the originator

IIFL Home Finance Limited is a subsidiary of IIFL Finance Limited and registered with National Housing Bank (NHB) as a housing finance company. Incorporated in 2006, it offers home loans, loan against property and construction finance loans. IIFL Home Finance Limited's reported a PAT of Rs. 1,027 crore on total AUM of Rs. 35,499 crore in FY2024 as compared to PAT of Rs. 790 crore on a total AUM of Rs. 28,512 crore in FY2023. It has a branch network of 389 branches in 20 states/union territories.

Key financial indicators (standalone) (audited)

IIFL Home Finance Limited	FY2022	FY2023	FY2024
Total income	2,218	2,702	3,294
Profit after tax	578	790	1,027
Asset under management (AUM)	23,617	28,512	35,499
Gross stage 3	2.1%	2.2%	1.5%
CRAR	30.5%	47.3%	42.8%

Source: Company & ICRA Research; 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)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
					July 26, 2024	July 27, 2023	July 29, 2022	July 26, 2021
1	Elite Mortgage HL Trust June 2019	PTC Series A	358.54	118.44	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Elite Mortgage HL Trust June 2019	PTC Series A	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
Elite Mortgage HL Trust June 2019	PTC Series A	June 21, 2019	9.10%*	July 12, 2043	118.44	[ICRA]AAA(SO)

Source: Company; * Floating rate linked to 1 year MCLR of ICICI Bank

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.

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