

August 23, 2024

Nido Home Finance Limited: Rating reaffirmed for instruments issued under five mortgage loan securitisation transactions

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
HL Trust 12	Series A1 ABS	65.05	39.87	29.91	[ICRA]AAA(SO); reaffirmed
HL Trust 14	Series A1 ABS	44.77	30.37	22.88	[ICRA]AAA(SO); reaffirmed
HL Trust 15	Series A1 ABS	56.19	33.07	25.51	[ICRA]AAA(SO); reaffirmed
HL Trust 18	Series A1 ABS	31.09	20.79	16.19	[ICRA]AAA(SO); reaffirmed
ML Trust 5	Series A Notes	243.56	157.93	118.22	[ICRA]AAA(SO); reaffirmed

*Instrument details are provided in Annexure I

Rationale

The instruments with respect to ML Trust 5 are backed by housing loan (HL) and loan against property (LAP) receivables, while the instruments for the other four trusts (HL Trusts) are backed by HL receivables. The underlying loan receivables are originated by Nido Home Finance Limited {Nido; rated [ICRA]A+; Rating Watch with Negative Implications}.

The rating reaffirmation factors in the build-up of the credit enhancement cover over the future investor payouts on account of high 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 all the pools till the July 2024 payout month.

Pool performance summary

Particulars	HL Trust 12	HL Trust 14	HL Trust 15	HL Trust 18	ML Trust 5
Payout month	July 2024	July 2024	July 2024	July 2024	July 2024
Months post securitisation	28	28	27	23	27
Pool amortisation	48.39%	44.68%	50.20%	43.13%	50.42%
Series A1/A amortisation	54.03%	48.89%	54.61%	47.94%	51.46%
Cumulative collection efficiency ¹	96.86%	99.53%	97.01%	97.14%	99.02%
Breakeven collection efficiency ²	48.20%	55.00%	52.36%	54.07%	68.07%
Cumulative prepayment rate	45.98%	38.60%	45.05%	40.35%	53.20%
Loss-cum-90+ dpd ³ (% of initial pool)	3.29%	0.09%	2.36%	2.29%	0.72%
Loss-cum-180+ dpd ⁴ (% of initial pool)	2.27%	0.09%	2.01%	1.89%	0.61%
Cumulative cash collateral (CC) utilisation	0.00%	0.00%	0.00%	0.00%	0.00%
CC (% of balance pool)	16.47%	14.82%	17.29%	14.95%	25.21%
Principal subordination (% of balance pool)	19.82%	15.01%	16.14%	17.60%	-

¹ (Cumulative current and overdue collections till date)/(Cumulative billing till date + Opening overdues at the start of the transaction)

² (Balance cash flows payable to investor – CC available)/Balance pool cash flows

³ Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 90 days, as a % of Initial pool principal

⁴ Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 180 days, as a % of Initial pool principal

Particulars	HL Trust 12	HL Trust 14	HL Trust 15	HL Trust 18	ML Trust 5
Excess interest spread (EIS ⁵ ; % of balance pool)	106.21%	66.52%	77.95%	83.59%	41.06%

Transaction structure

For HL Trust 12 and HL Trust 18, the monthly cash flow schedule comprises the promised interest payout and principal payout (90% of the pool principal billed). The balance principal (10%) is expected to be paid on a monthly basis until the maturity of Series A1 asset-backed securities (ABS). 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 ABS principal.

For HL Trust 14 and HL Trust 15, the monthly cash flow schedule comprises the promised interest payout and principal payout (92% of the pool principal billed). The balance principal (8%) is expected to be paid on a monthly basis until the maturity of Series A1 ABS. Any surplus 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 ABS principal.

For ML Trust 5, the monthly cash flow schedule comprises the promised interest payout. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. Any prepayment in the pool would be used for the prepayment of Series A notes principal, subject to a minimum of 1% of the prepayments either received from the pool or met through the EIS. If the prepayments are less than 1% on any given payout date, the EIS will be utilised to pay the principal (1% minus the actual prepayment rate multiplied by the principal outstanding of the preceding month). Any surplus EIS, after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis.

Reset of credit enhancement

At Nido's request for resetting the credit enhancement, ICRA has analysed HL Trust 12 and ML Trust 5, basis the cash collateral (CC) mentioned in the table provided below.

Transaction Name	Current CC Outstanding [A]	CC Required as per ICRA for Maintaining Present Rating [B]	CC that can be Released [C]= 60%*(A - B)	Revised CC Limit [D] = (A - C)
HL Trust 12	6.14	4.30	1.11	5.04
ML Trust 5	30.45	21.31	5.48	24.97

Amount in Rs. crore

Based on the pools' performance, the rating for the ABS/notes will remain unchanged even after the CC amount is reset. The CC reset shall be subject to the approval of the ABS/notes investors. However, as per regulatory guidelines, the maximum 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. The CC reset shall be subject to the approval of the ABS/notes investors.

Key rating drivers and their description

Credit strengths

Substantial credit enhancement available – The rating factors in the build-up of credit enhancement for all the trusts with the CC increasing in the range of 11-18% of the balance pool principal after the July 2024 payout month from 8.5-12.5% at the

⁵ (Pool cash flows – Cash flows to ABS/notes investors – Originator's residual share)/Pool principal outstanding

time of securitisation. For all the trusts, except ML Trust 5, internal credit support is also available through subordination in the range of 15-20% of the balance pool principal after the July 2024 payout month.

Healthy pool performance – The performance of the pools has been strong with the cumulative collection efficiency of all the trusts surpassing 96% till the July 2024 payout month while the breakeven collection efficiency is below the monthly collection efficiency of the pools. The pools have reported low to moderate delinquencies with 90+ days past due (dpd) in the range of 0.1-3.5%. Further, there have been no instances of CC utilisation in any of the pools till date owing to the strong collection performance and presence of EIS.

Contracts backed by self-occupied residential properties – The pools are entirely backed by self-occupied residential properties. This is expected to support the quality of the pools as it has been observed that borrowers tend to prioritise repayments towards such loans even during financial stress.

Credit challenges

Exposed to interest rate risk – The pools are exposed to interest rate risk as they all have contracts with floating rate and fixed rate loans, while the yield on the securities is fixed, except for ML Trust 5 for which the yield on Series A notes is floating.

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 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 pools, ICRA has estimated the shortfall in the pool principal collection during its tenure as per the table below. The average prepayment rate for the underlying pools is also given in the table. 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.

Transaction Name	Expected Loss* (% of initial pool principal)	Prepayment
HL Trust 12	4.00%	6% - 20% p.a.
HL Trust 14	2.50%	6% - 20% p.a.
HL Trust 15	3.75%	6% - 20% p.a.
HL Trust 18	4.25%	6% - 20% p.a.
ML Trust 5	2.50%	6% - 20% p.a.

* With certain variability around it

Details of key counterparties

The key counterparties in the rated transactions are as follows:

Transaction Name	HL Trust 12	HL Trust 14	HL Trust 15	HL Trust 18	ML Trust 5
Originator	Nido Home Finance Limited				
Servicer	Nido Home Finance Limited				
Trustee	Catalyst Trusteeship Limited			IDBI Trusteeship Services Limited	Catalyst Trusteeship Limited
CC holding bank	ICICI Bank Limited				DBS Bank India Limited
Collection and payout account bank	ICICI Bank Limited				DBS Bank India Limited

Liquidity position: Superior

The liquidity for all the instruments is superior after factoring in the credit enhancement available to meet the promised payout to the investors. The total credit enhancement would be around or greater than 10 times the estimated loss in the pools.

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 (Nido) could also exert pressure on the rating.

Analytical approach

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

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
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 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, it has realigned its strategy to focus on low ticket-sized home loans. Nido reported a net profit of Rs. 19 crore in FY2024 compared to Rs. 16 crore in FY2023. As of March 31, 2024, its capitalisation profile was characterised by a net worth of Rs. 815 crore, a gearing of 3.5 times and a capital adequacy ratio of 39.1%.

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 alternatives, asset management, wholesale and retail lending, home finance, distressed assets resolution, general insurance, and life insurance. On a consolidated basis, it posted a total income of Rs. 9,602 crore and a profit after tax (PAT) of Rs. 528 crore in FY2024 compared to Rs. 8,633 crore and Rs. 406 crore, respectively, in FY2023. As of March 31, 2024, the Group's

capitalisation profile was characterised by a consolidated net worth of Rs. 6,049 crore and a gearing of 3.3 times compared to Rs. 7,846 crore and 2.8 times, respectively, as of March 31, 2023.

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

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	
					Aug 23, 2024	Aug 30, 2023	Nov 25, 2022	Jul 21, 2022	Mar 28, 2022	
1	HL Trust 12	Series A1 ABS	65.05	29.91	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)

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	
					Aug 23, 2024	Aug 30, 2023	Nov 25, 2022	Jul 21, 2022	Apr 05, 2022	-
2	HL Trust 14	Series A1 ABS	44.77	22.88	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AA A(SO)	[ICRA]AA A(SO)	Provisional [ICRA]AAA(SO)	-

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
					Aug 23, 2024	Aug 30, 2023	Aug 05, 2022	Apr 22, 2022	-
3	HL Trust 15	Series A1 ABS	56.19	25.51	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-

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
					Aug 23, 2024	Aug 30, 2023	Nov 10, 2022	Aug 22, 2022	-
4	HL Trust 18	Series A1 ABS	31.09	16.19	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-

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
					Aug 23, 2024	Aug 30, 2023	Aug 12, 2022	May 17, 2022	-
5	ML Trust 5	Series A Notes	243.56	118.22	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
HL Trust 12	Series A1 ABS	Moderately Complex
HL Trust 14	Series A1 ABS	Moderately Complex
HL Trust 15	Series A1 ABS	Moderately Complex
HL Trust 18	Series A1 ABS	Moderately Complex
ML Trust 5	Series A Notes	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	Current Rated Amount (Rs. crore)	Current Rating
HL Trust 12	Series A1 ABS	March 25, 2022	7.75%	October 20, 2063	29.91	[ICRA]AAA(SO)
HL Trust 14	Series A1 ABS	March 31, 2022	7.75%	July 20, 2055	22.88	[ICRA]AAA(SO)
HL Trust 15	Series A1 ABS	April 20, 2022	7.85%	September 20, 2058	25.51	[ICRA]AAA(SO)
HL Trust 18	Series A1 ABS	August 18, 2022	8.50%	April 20, 2050	16.19	[ICRA]AAA(SO)
ML Trust 5	Series A Notes	May 19, 2022	10.11%*	March 25, 2042	118.22	[ICRA]AAA(SO)

*Linked to repo rate plus a spread of 3.61%

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

Sachin Joglekar

+91 22 6114 3470

sachin.joglekar@icraindia.com

Sumit Pramanik

+91 22 6114 3462

sumit.pramanik@icraindia.com

Mrugesh Trivedi

+91 22 6114 3436

mrugesh.trivedi@icraindia.com

Rushabh Gohel

+91 22 6114 3450

rushabh.gohel@icraindia.com

RELATIONSHIP CONTACT

Mr. L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

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

ICRA Limited



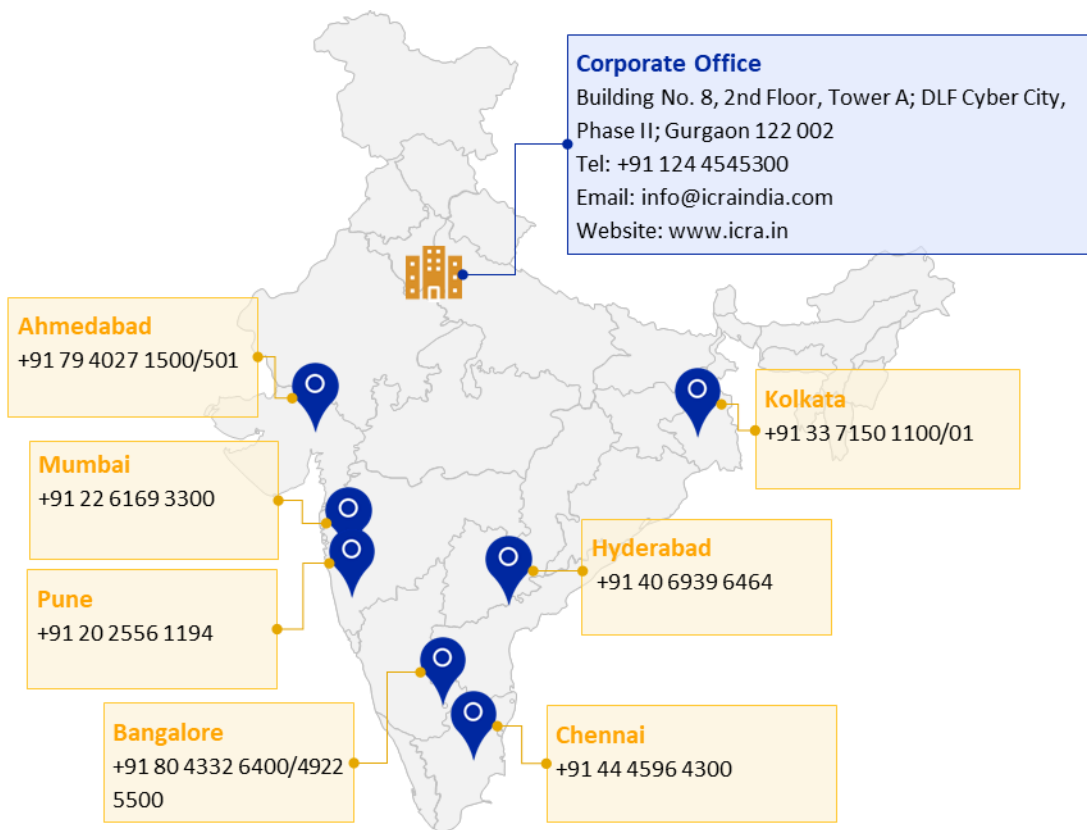
Registered Office

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 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.