

September 30, 2024

HDFC Bank Limited: Rating reaffirmed for PTCs issued under mortgage loan securitisation transaction

Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
MBS 2016 SERIES I TRUST	PTC Series A1	944.84	239.75	180.94	[ICRA]AAA(SO); Reaffirmed

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by mortgage loan receivables, which has been originated by Housing Development Finance Corporation Limited (HDFC Limited). Pursuant to the amalgamation of HDFC Limited and HDFC Bank Limited (HDFC Bank), effective July 1, 2023, HDFC Bank has assumed all the outstanding duties, undertakings and obligations with respect to the transaction.

Accordingly, the PTC transaction is being serviced by HDFC Bank. The reaffirmation of the rating factors in the build-up of the credit enhancement cover over the future PTC payouts on account of the 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 the pool till the August 2024 payout month.

Pool performance summary

Parameter	MBS 2016 SERIES I TRUST
Payout month	August 2024
Months post securitisation	98
Pool amortisation (as % of initial pool principal)	80.85%
3 months' average monthly collection efficiency ¹	98.49%
Cumulative collection efficiency ²	99.89%
Loss-cum-90+ dpd ³ (% of initial pool)	1.38%
Loss-cum-180+ dpd ⁴ (% of initial pool)	0.93%
Cumulative credit collateral (CC) utilisation	0.04%
Breakeven collection efficiency ⁵ for PTC Series A	71.91%
CC (% of balance pool)	36.02%
Excess interest spread (EIS; % of balance pool) for PTC Series A ⁶	3.78%

¹ Average of (Total current and overdue collections for the month as a % of Total billing for the month) for 3 months

² (Cumulative current and overdue collections till date) / (Cumulative billing till date + Opening overdues at the start of the transaction)

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

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

⁵ (Balance cash flows payable to investor – CC available) / Balance pool cash flows

⁶ (Pool cash flows – Cash flows to PTC A) / Pool principal outstanding

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout and principal payout (100% of the pool principal billed). Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of PTC Series A1 principal.

Key rating drivers and their description

Credit strengths

Substantial credit enhancement available – The rating factors in the build-up of the credit enhancement for the trust with the credit collateral (CC) building up to 36.0% of the balance pool principal after the August 2024 payout month from 6.9% at the time of securitisation. Internal credit support is also available through the EIS of 3.8% of the balance pool principal after the August 2024 payout month.

Healthy pool performance – The performance of the pool has been healthy with the cumulative collection efficiency of the trust surpassing 99.8% till the August 2024 payout month while the breakeven collection efficiency is below the monthly collection efficiency of the pool. The pool has reported very low delinquencies with 90+ days past due (dpd) of 1.4%.

Contracts backed by self-occupied residential properties – The pool is entirely backed by self-occupied 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 pool is exposed to basis risk as the yield on almost the entire pool is floating (linked to HDFC Bank's external benchmark rate) whereas the yield on the PTCs is linked to the investor's external benchmark rate.

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 current pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 0.50% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 4.8% 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	MBS 2016 SERIES I TRUST
Originator	HDFC
Servicer	HDFC Bank Limited
Trustee	IDBI Trusteeship Services Limited
CC holding bank	HDFC Bank Limited
Collection and payout account bank	ICICI Bank Limited

Liquidity position: Superior

The liquidity for PTC Series A1 is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be greater than 10.0 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, could result in a rating downgrade. Weakening in the credit profile of the servicer (HDFC Bank) could also exert pressure on the rating.

Analytical approach

The rating action is based on the performance of the pool till July 2024 (collection month), the present delinquency levels and 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

HDFC Bank Limited is a systemically important as well as the largest private sector bank in India. On April 4, 2022, a composite scheme of amalgamation with its promoter, HDFC Limited, was announced. After obtaining the necessary approvals, the merger was concluded and effective from July 1, 2023.

With the merger, the bank has a presence in the banking, insurance (HDFC Life Insurance Company Limited and HDFC Ergo General Insurance Company Limited), and asset management (HDFC Asset Management Company Limited) segments and is a large player in the Indian financial system. As HDFC Limited's subsidiaries now operate as direct subsidiaries/associates of the bank, the overall share of retail advances is expected to increase further.

As of June 30, 2024, the bank had 8,851 branches. It has an international presence with branches in four countries (one each in Bahrain, Kenya, Qatar and UAE) and three representative offices in Dubai, London and Singapore. Further, it has an offshore banking unit at International Financial Services Centre (IFSC) in GIFT City, Gandhinagar (Gujarat).

Key financial indicators

HDFC Bank (standalone)	FY2023	FY2024	Q1 FY2025
Total income	1,18,057	1,57,773	40,505
Profit after tax	44,109	60,812	16,175
Total assets (Rs. lakh crore)	24.66	36.18	35.67
Gross NPA	1.12%	1.24%	1.33%
Net NPA	0.27%	0.33%	0.39%
CRAR	19.26%	18.80%	19.33%

Source: HDFC Bank Limited, ICRA Research; Amount in Rs. crore unless mentioned otherwise

Total income = Net interest income + Non-interest income (excludes trading income); All ratios as per ICRA's calculations

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			
		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	
				Sep 30, 2024	Sep 08, 2023	Jan 27, 2023	Jan 31, 2022	
1 MBS 2016 SERIES I TRUST	PTC Series A1	944.84	180.94	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
MBS 2016 SERIES I TRUST	PTC Series A1	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	Scheduled Maturity Date	Amount Rated (Rs. crore)	Current Rating
MBS 2016 SERIES I TRUST	PTC Series A1	June 1, 2016	8.85%* (floating)	January 15, 2046	180.94	[ICRA]AAA(SO)

Source: Company; * Linked to investor MCLR less 1.60% (with quarterly resets)

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

Anubhav Agarwal

+91 22 6114 3439

anubhav.agarwal@icraindia.com

Ritu Rita

+91 22 6114 3409

ritu.rita@icraindia.com

Rushabh Gohel

+91 22 6114 3450

rushabh.gohel@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3304

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.