December 18, 2024

Piramal Enterprises Limited: Provisional [ICRA]AA+(SO) assigned to PTCs backed by personal loan receivables issued by Ved Trust PTC 2024

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Ved Trust PTC 2024	Series A1 PTCs	92.50	Provisional [ICRA]AA+(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 pass-through certificates (PTCs) are backed by a pool of personal loan receivables initially originated by Piramal Capital and Housing Finance Limited {PCHFL; rated [ICRA]AA (Stable)}. The pool of assets, which is being securitised, was acquired by Piramal Enterprises Limited {PEL; rated [ICRA]AA (Stable)} from PCHFL through direct assignment. PCHFL would be the servicer for the PTC transaction. As on the cut-off date, the pool had an aggregate principal outstanding of Rs. 92.50 crore (pool receivables of Rs. 128.18 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 and 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. The principal is expected to be paid on a monthly basis (92% of the pool principal billed) but is promised on the final maturity date. 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 the Series A1 PTC principal.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 10.00% of the initial pool principal to be provided by the Originator, (ii) subordination of 8.00% of the initial pool principal for Series A1 PTCs, and (iii) the EIS of 14.07% of the initial pool principal for Series A1 PTCs.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The pool is granular, consisting of 3,404 contracts, with the top 10 contracts forming 0.75% of the pool principal, reducing the exposure to any single borrower. 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 Series A1 PTC payouts.

Seasoned contracts with no overdues in the pool as on the cut-off date – The pool has been filtered in such a manner that there were no overdue contracts as on the cut-off date. Further, ~95% of the contracts in the pool have never been delinquent since origination while the peak days past due (dpd) in the balance contracts is up to one month. In addition, the pool has amortised by ~30%.

Healthy bureau score of borrowers; high share of salaried borrowers – All the borrowers in the pool have a minimum CIBIL score of 700 and ~68% have a CIBIL score of at least 750, reflecting their relatively better credit profile. Further, ~90% of the borrowers in the pool are salaried professionals, which alleviates the risk to some extent given the steady cash flows of such borrowers vis-à-vis self-employed borrowers.

Adequate servicing capability of the originator – The company has adequate processes for servicing the loan accounts in the securitised pool. It has established systems for collection and recovery across a wide geography.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz. Maharashtra, Tamil Nadu, and Andhra Pradesh, contributing ~51% 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.

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. The pool is exposed to the inherent credit risk associated with the unsecured nature of the asset class. Moreover, recoveries from delinquent contracts tend to be lower in this segment.

Key rating assumptions

ICRA's cash flow modelling for the rating of 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 4.50%. The average prepayment rate for the underlying pool is modelled in the range of 4.80% to 18.00% 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 PTC instrument is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be 5.75 times the estimated loss in the pool.

Rating sensitivities

Positive factors – The rating could be upgraded on the strong collection performance of the underlying pool (monthly collection efficiency of more than 95%) on a sustained basis, leading to the build-up of the credit enhancement cover for the remaining payouts.

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 personal loans portfolio till September 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	Rating Methodology for Securitisation Transactions
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. Power of Attorney
4. Legal opinion
5. Trustee letter
6. Chartered Accountant's know your customer (KYC) certificate
7. 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.

About the originator

Piramal Enterprises Limited (PEL) is a non-banking financial company (NBFC), which was registered with the Reserve Bank of India (RBI) w.e.f. July 22, 2022. It has a presence in retail lending, wholesale lending, and fund-based platforms, primarily through standalone operations and its wholly-owned subsidiary, i.e. Piramal Capital and Housing Finance Limited (PCHFL). As of March 2024, the company's consolidated operations comprised a network of about 487 conventional branches and 194 microfinance branches across 26 states and Union Territories.

Within retail lending, through its multi-product platform, PEL offers home loans to customers in the affordable housing and budget segments, secured and unsecured lending to small businesses, pre-owned car loans, loan against securities, and unsecured finance constituting microfinance, digital purchase finance, salaried personal loans, etc. Within wholesale lending, it provides financing to real estate developers as well as corporate clients in select sectors.

About PCHFL

The erstwhile PCHFL was incorporated in February 2017 as a subsidiary of Piramal Finance Limited and received its housing finance licence from National Housing Bank (NHB) in September 2017. As per a scheme of amalgamation, Piramal Finance Limited and Piramal Capital Limited were merged with the erstwhile PCHFL, w.e.f. March 31, 2018, with PCHFL becoming a direct subsidiary of PEL. Following the merger, the Piramal Group's financial services business, including real estate lending, housing finance, corporate lending and emerging corporate lending, was housed under PCHFL and PHL Fininvest Private Limited (PFPL), a fellow subsidiary.

On May 8, 2024, PEL announced that its board of directors (BoD) has approved a composite scheme of arrangement, whereby PEL would be reverse merged with its wholly-owned subsidiary, PCHFL. The merged entity would be renamed Piramal Finance Limited. 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). The reverse merger would take place after PCHFL receives the NBFC-ICC licence.

Key financial indicators

PEL (consolidated)	FY2023	FY2024	H1 FY2025*
Accounting Standard	Ind-AS	Ind-AS	Ind-AS
Total income	9,087	10,178	4,520
Profit after tax	9,959	-1,683	344
Total managed assets	83,752	82,605	86,756
Gross stage 3	3.8%	2.4%	3.1%
CRAR	31.0%	25.6%	23.3%

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Provisional*

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 Rated Amount (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				December 18, 2024	-	-	-
Ved Trust PTC 2024	Series A1 PTCs	92.50	92.50	**Provisional [ICRA]AA+(SO)**	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 PTCs	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	Current Amount Rated (Rs. crore)	Current Rating
Ved Trust PTC 2024	Series A1 PTCs	December 13, 2024	9.95%	March 15, 2028	92.50	Provisional [ICRA]AA+(SO)

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

Anubhav Agrawal
+91 22 6114 3439
anubhav.agrawal@icraindia.com

Anubha Rustagi
+91 22 6114 3456
anubhai.rustagi2@icraindia.com

Ekta Baheti
+91 22 6114 3423
ekta.baheti@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.

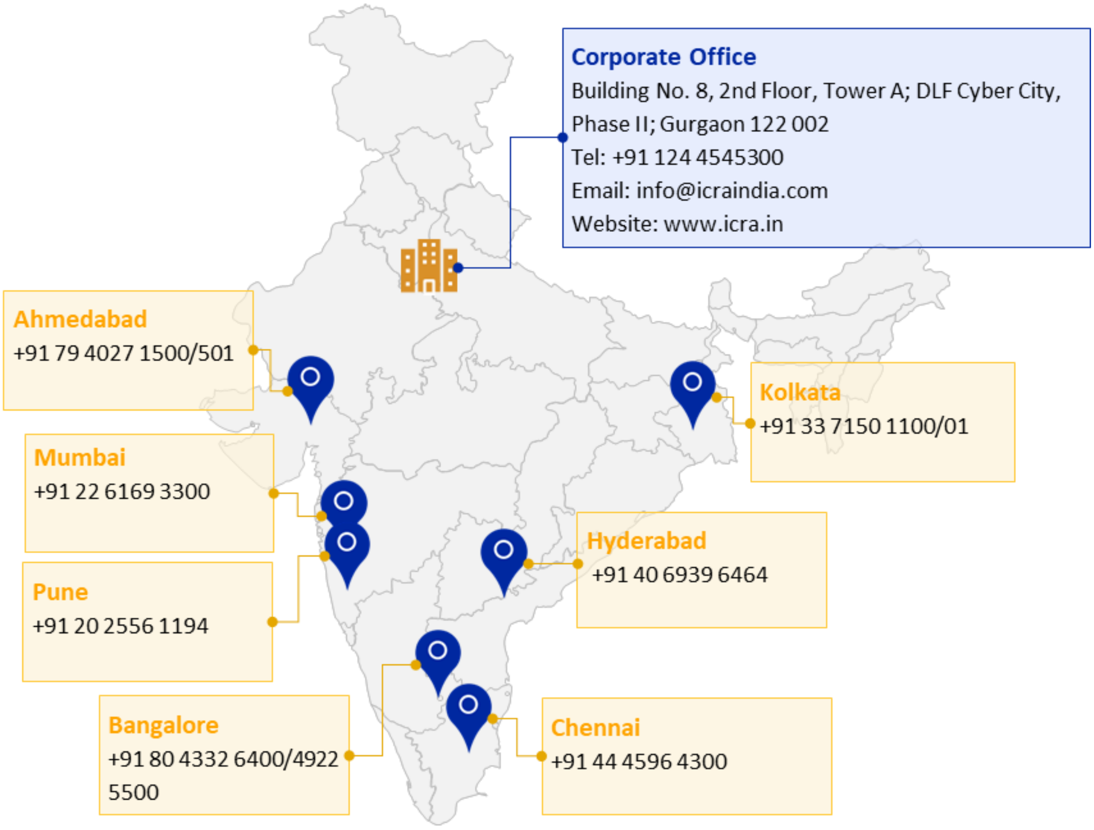
For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



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.