

December 24, 2024

## Piramal Capital & Housing Finance Limited: Rating reaffirmed for securitisation notes issued under two 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
Nirvana Trust May 2023	Series A SNs	444.90	NA	295.73	[ICRA]AAA(SO); Reaffirmed
Nirvana Trust Mortgage 2023	Series A SNs	410.23	NA	318.14	[ICRA]AAA(SO); Reaffirmed

\*Instrument details are provided in Annexure I

### Rationale

The securitisation notes (SNs) are backed by home loan (HL) receivables originated by Piramal Capital & Housing Finance Limited {PCHFL/Originator; rated [ICRA]AA (Stable)}.

The rating reaffirmation factors in the build-up of the credit enhancement cover over the future SN 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 compared to the actual collection level observed in the pools till the November 2024 payout month.

### Pool performance summary

Parameter	Nirvana Trust May 2023	Nirvana Trust Mortgage 2023
Payout month	November 2024	November 2024
Months post securitisation	17	18
Pool amortisation (as % of initial pool principal)	33.53%	22.45%
Series A SNs amortisation	33.53%	22.45%
Cumulative collection efficiency <sup>1</sup>	99.00%	99.44%
Cumulative prepayment rate	27.65%	17.00%
Loss-cum-90+ days past due (dpd <sup>2</sup> ; % of initial pool)	1.08%	0.57%
Loss-cum-180+ dpd <sup>3</sup> (% of initial pool)	0.59%	0.43%
Cumulative cash collateral (CC) utilisation	0.00%	0.00%
Breakeven collection efficiency <sup>4</sup> for Series A SNs	69.76%	79.79%
CC (% of balance pool)	18.05%	15.47%
Excess interest spread (EIS; % of balance pool) for Series A SNs <sup>5</sup>	73.36%	31.15%

### Transaction structure

As per the transaction structure for both pools, the monthly cash flow schedule comprises the promised interest payout and the 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 the Series A SN principal.

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

<sup>2</sup> Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 90 days, as a % of Initial pool principal

<sup>3</sup> Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 180 days, as a % of Initial pool principal

<sup>4</sup> (Balance cash flows payable to investor – CC available)/Balance pool cash flows

<sup>5</sup> (Pool cash flows – Cash flows to SN A)/Pool principal outstanding

## Key rating drivers and their description

### Credit strengths

**Adequate servicing capability of originator** – The company has an established track record in the lending business with suitable underwriting policies and collection procedures across a wide geography. It has adequate processes for the servicing of the loan accounts in the securitised pools.

**Healthy pool performance** – The pools’ performance has been healthy with a cumulative collection efficiency of ~99% till the November 2024 payout month, which has led to low delinquencies with the 90+ days past due (dpd) for Nirvana Trust Mortgage 2023 and Nirvana Trust May 2023 at 0.57% and 1.08%, respectively. The 180+ dpd also remains moderate at 0.59% for Nirvana Trust May 2023 and 0.43% for Nirvana Trust Mortgage 2023. Further, there have been no instances of cash collateral utilisation till date owing to the strong collection performance and the presence of EIS in the transactions.

**Build-up in credit enhancement** – The rating factors in the build-up in the credit enhancement cover with the cash collateral surpassing 15% of the balance pool compared to 12.00% at the time of securitisation for both transactions. Internal credit support is also available through the scheduled EIS of ~73% for Nirvana Trust May 2023 and ~31% for Nirvana Trust Mortgage 2023.

### Credit challenges

**Exposed to basis risk** – The yield for the SNs is linked to an external benchmark (investor’s MCLR) while the interest rate on the underlying loans is floating (linked to PCHFL’s benchmark rate), leading to basis risk in the structure.

**Risk 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 at 3.25% and 3.00% for Nirvana Trust May 2023 and Nirvana Trust Mortgage 2023, respectively. The average prepayment rate for both pools 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 transactions are as follows:

Transaction Name	Nirvana Trust May 2023	Nirvana Trust Mortgage 2023
<b>Originator</b>	Piramal Capital & Housing Finance Limited	Piramal Capital & Housing Finance Limited
<b>Servicer</b>	Piramal Capital & Housing Finance Limited	Piramal Capital & Housing Finance Limited
<b>Trustee</b>	Catalyst Trusteeship Limited	Catalyst Trusteeship Limited
<b>CC holding bank</b>	ICICI Bank	ICICI Bank

Transaction Name	Nirvana Trust May 2023	Nirvana Trust Mortgage 2023
Collection and payout account bank	ICICI Bank	ICICI Bank

### Liquidity position: Superior

The liquidity for the instruments is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement for the Nirvana Trust May 2023 transaction would 11 times while that for Nirvana Trust Mortgage 2023 would 8 times the estimated losses in the respective pools.

### Rating sensitivities

**Positive factors** – Not applicable

**Negative factors** – The sustained weak collection performance of the underlying pool of contracts (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 (PCHFL) could also exert pressure on the rating.

### Analytical approach

The rating action is based on the analysis of the performance of PCHFL’s HL portfolio till September 2024, the key characteristics and composition of the current pools, the performance expected over the balance tenure of the pools, and the credit enhancement cover available in the transactions.

Analytical Approach	
Applicable rating methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

### About the originator

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 Piramal Enterprises Limited (PEL). PCHFL provides real estate lending, housing finance, corporate lending, and emerging corporate lending across sectors. It has 508 branches spread across 25 states.

In January 2021, PCHFL 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 PEL 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 has applied to the Reserve Bank of India (RBI) for an NBFC-ICC licence and will continue to operate as an HFC in the interim. The reverse merger would take place after PCHFL receives the NBFC-ICC licence.

In addition, as per the RBI’s (NBFC – Scale Based Regulation) Master Directions, 2023 (Scale Based Regulations), all NBFCs identified as upper layer NBFCs are mandatorily required to be listed within three years of being identified as such. PCHFL has been identified as an upper layer NBFC and is accordingly required to be listed before September 30, 2025. As a part of the

proposed scheme, PFL would be listed on the stock exchanges. The transaction is subject to the receipt of approvals from regulatory authorities, stock exchanges, shareholders, creditors, etc.

### Key financial indicators

PCHFL (standalone)	FY2023	FY2024	H1 FY2025*
Total income	6,650	6,712	3,501
Profit after tax	-7,425	-1,911	83 <sup>#</sup>
Assets under management	50,427	53,696	61,066
Gross NPA	3.5%	2.4%	3.43%
Net NPA	1.9%	1.0%	1.67%
CRAR	26.8%	21.6%	19.0%

Source: PCHFL and ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; \*Limited review

<sup>#</sup>Includes Rs. 136 crore of regulatory provisions for AIFs made during the quarter; these are net of reversals and receipts

### 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				
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
				Dec 24, 2024	Dec 04, 2023	May 25, 2023	-	-
Nirvana Trust May 2023	Series A SNs	444.90	295.73	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-

Trust Name	Instrument	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years				
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
				Dec 24, 2024	Dec 14, 2023	Jun 30, 2023	-	-
Nirvana Trust Mortgage 2023	Series A SNs	410.23	318.14	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-

### Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Nirvana Trust May 2023	Series A SNs	Moderately Complex
Nirvana Trust Mortgage 2023	Series A SNs	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 Rated Amount (Rs. crore)	Current Rating
<b>Nirvana Trust May 2023</b>	Series A SNs	May 25, 2023	8.70%^	December 14, 2047	295.73	[ICRA]AAA(SO)
<b>Nirvana Trust Mortgage 2023</b>	Series A SNs	June 28, 2023	8.70%*	June 18, 2048	318.14	[ICRA]AAA(SO)

<sup>^</sup> Floating, linked to 3M-I-MCLR fixed spread of 15 bps; reset quarterly

<sup>\*</sup> Floating, linked to 6M-I-MCLR fixed spread of -5 bps; reset semi-annually

Source: Company

**Annexure II: List of entities considered for consolidated analysis**

Not applicable

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