

December 31, 2024

## Niwas Housing Finance Private Limited (erstwhile Indostar Home Finance Private Limited): Rating reaffirmed for PTCs/SNs issued under mortgage loan securitisation transactions

### Summary of rating action

| Trust Name              | Instrument*  | Initial rated amount (Rs. crore) | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating Action             |
|-------------------------|--------------|----------------------------------|-----------------------------------|----------------------------------|---------------------------|
| Star HFC Trust Dec21    | PTC Series A | 115.33                           | 68.00                             | 53.39                            | [ICRA]AAA(SO); Reaffirmed |
| Star HFC Trust Feb 2022 | SN Series A  | 108.37                           | 62.32                             | 58.73                            | [ICRA]AAA(SO); Reaffirmed |

\*Instrument details are provided in Annexure I

### Rationale

The pass-through certificates (PTCs)/ securitisation notes (SNs) tabulated above have been originated by Niwas Housing Finance Private Limited (erstwhile Indostar Home Finance Private Limited) (NHFPL) and are backed by a pool of home loan and loan against property receivables. NHFPL is the servicer for both the rated transactions.

The rating reaffirmation factors in the build-up of the credit enhancement cover over the future PTCs/SNs payouts for both the transactions. The rating also draws comfort from the fact that the breakeven collection efficiency is lower compared to the actual collection level observed in both the pools till the November 2024 payout month.

### Pool performance summary

| Parameter  | Star HFC Trust Dec21 | Star HFC Trust Feb 2022 |
|--|----------------------|-------------------------|
| Payout month   | November 2024        | November 2024           |
| Months post securitisation   | 35                   | 33                      |
| Pool amortisation  | 53.7%                | 45.8%                   |
| PTC Series A amortisation (as % of initial PTC Series A principal) | 53.7%                | 45.8%                   |
| Cumulative collection efficiency (%) <sup>1</sup>                  | 99.8%                | 99.5%                   |
| Breakeven collection efficiency (%) <sup>2</sup>                   | 70.3%                | 72.5%                   |
| Loss-cum-90+ (% of initial pool principal) <sup>3</sup>            | 0.3%                 | 1.0%                    |
| Loss-cum-180+ (% of initial pool principal) <sup>4</sup>           | 0.2%                 | 0.8%                    |
| Cumulative Cash Collateral (CC) utilisation (% of initial CC)      | 0.0%                 | 0.0%                    |
| CC available (as % of balance pool principal)                      | 17.3%                | 14.8%                   |
| Excess Interest Spread (EIS) (as % of balance pool principal)      | 50.6%                | 50.6%                   |

<sup>1</sup> Cumulative collections till date / Cumulative billings till date + Opening overdues

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

<sup>3</sup> POS on contracts aged 90+ dpd + Overdues / Initial POS on the pool

<sup>4</sup> POS on contracts aged 180+ dpd + Overdues / Initial POS on the pool

## Transaction structure

### For Star HFC Trust Dec21 and Star HFC Trust Feb 2022

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 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 PTC Series A/SN Series A principal.

## Reset of Credit Enhancement

At Originator's request for resetting the credit enhancement, ICRA has analysed Star HFC Trust Dec21 and Star HFC Trust Feb 2022, basis the CC mentioned in the table provided below. Based on the pools' performance, the rating for the PTCs will remain unchanged even after the CC amount is reset. The CC reset shall be subject to the approval of the PTC investors. However, as per 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.

| 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) |
|-------------------------|----------------------------|--|--|--------------------------------|
| Star HFC Trust Dec21    | 9.23                       | 4.62   | 2.77                                     | 6.46                           |
| Star HFC Trust Feb 2022 | 8.67                       | 4.77   | 2.34                                     | 6.33                           |

Amount in Rs. crore

## Key rating drivers and their description

### Credit strengths

**Substantial credit enhancement available in the structure** – The rating factors in the build-up in the credit enhancement with CC increasing to ~17% and ~15% of the balance pool principal for Star HFC Trust Dec21 and Star HFC Trust Feb 2022, respectively, as compared to 8% at time of securitisation for both the transactions. Internal credit support is also available through scheduled EIS of ~51% for both the transactions.

**Healthy pool performance** – Performance of both the pools has been strong with cumulative collection efficiency of ~99% as on November 2024 payout month which has resulted in low delinquencies in the pools with the 90+ days past due (dpd) below 1% for both the pools. The break-even collection efficiency has also declined to ~70% and ~72% for Star HFC Trust Dec21 and Star HFC Trust Feb 2022 respectively. Further, there have been no instances of CC utilisation for any of the pools till date owing to strong collection performance and presence of EIS in both transactions.

**Adequate servicing capability of the originator** - The company has adequate processes for servicing of the loan accounts in the securitised pool. It has a demonstrated track record of ~5 years of regular collections and recovery across a wide geography.

### Credit challenges

**Exposed to basis risk** – Both the transactions are exposed to basis rate risk as the underlying pools comprise loans with floating interest rate linked to the originator's lending rate whereas yield on the PTC/SN is linked to external benchmark rate.

**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 transaction 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 2.00% and 2.75% for Star HFC Trust Dec21 pool and Star HFC Trust Feb 2022 pool, respectively, with certain variability around it. The average prepayment rate for the underlying pools is modelled in the range of 4.8% to 18.0% per annum for both the deals. 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                          | Star HFC Trust Dec21  | Star HFC Trust Feb 2022   |
|---|---|---|
| <b>Originator</b>                         | Niwas Housing Finance Private Limited (erstwhile Indostar Home Finance Private Limited) | Niwas Housing Finance Private Limited (erstwhile Indostar Home Finance Private Limited) |
| <b>Servicer</b>                           | Niwas Housing Finance Private Limited (erstwhile Indostar Home Finance Private Limited) | Niwas Housing Finance Private Limited (erstwhile Indostar Home Finance Private Limited) |
| <b>Trustee</b>                            | IDBI Trusteeship Services Limited   | IDBI Trusteeship Services Limited   |
| <b>CC bank</b>                            | Kotak Mahindra Bank   | Kotak Mahindra Bank   |
| <b>Collection and payout account bank</b> | ICICI Bank  | ICICI Bank  |

## Liquidity position

### Superior

The liquidity for PTC/SN Series A is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement is more than 8 times the estimated loss for both pools.

## Rating sensitivities

**Positive factors** – Not applicable

**Negative factors** –The ratings could be downgraded based on sustained weak collection performance of the underlying pool leading to higher-than-expected delinquency levels and credit enhancement utilisation levels. Weakening in the credit profile of the servicer could also exert pressure on the rating.

## Analytical approach

The rating action is based on the performance of the pool till November 2024 payout 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   |
|--|--|
| <b>Applicable rating methodologies</b> | <a href="#">Rating Methodology for Securitisation Transactions</a> |
| <b>Parent/Group support</b>            | Not Applicable   |
| <b>Consolidation/Standalone</b>        | Not Applicable   |

## About the originator

Incorporated in January 2016, Niwas Housing Finance Private Limited (erstwhile Indostar Home Finance Private Limited) NHFPL) is a housing finance company (HFC). NHFPL offers housing and LAP loans with a focus on the affordable housing segment, with average ticket size of Rs. 9 lakhs as on Jun-24 to retail customers in tier 2 to tier 4 cities in India and has supported over 39,000 low income homeowners and small businesses. As of June 30, 2024, the gross loan book stood at Rs. 2,395 crore compared to Rs. 1,623 crore in March 2023. The loan book is currently split equally between the salaried and self-employed segments while 84% is concentrated in four states, i.e. Tamil Nadu, Maharashtra, Andhra Pradesh and Telangana.

### EXHIBIT 1. Key Financial indicator

| Particular                | FY2023<br>(audited) | FY2024<br>(audited) | Q1FY2025<br>(Unaudited) |
|---------------------------|---------------------|---------------------|-------------------------|
| Total revenue (Rs. Cr.)   | 209                 | 290                 | 85                      |
| PAT (Rs. Cr.)             | 38                  | 44                  | 14                      |
| Gross Loan Book (Rs. Cr.) | 1,623               | 2,269               | 2,395                   |
| Gross Stage 3 (%)         | 1.3%                | 1.1%                | 1.3%                    |
| CRAR (%)                  | 80.5%               | 57.4%               | 56.2%                   |

Source: Company data

### Status of non-cooperation with previous CRA: Not applicable

### Any other information: None

### Rating history for past three years

| S. No. | 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 | Date & Rating in FY2024                           | Date & Rating in FY2023 | Date & Rating in FY2022 |               |  |
|        |                      |                         |                                  |                                  | Dec 31, 2024  | Dec 22, 2023                                      | Feb 28, 2023            | Feb 25, 2022            | Jan 04, 2022  |  |
| 1      | Star HFC Trust Dec21 | PTC Series A            | 115.33                           | 53.39                            | [ICRA]AAA(SO) | [ICRA]AAA(SO)                                     | [ICRA]AAA(SO)           | [ICRA]AAA(SO)           | [ICRA]AAA(SO) |  |

| S. No. | 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 |   | Date & Rating in FY2024 | Date & Rating in FY2023 | Date & Rating in FY2022   |  |
|        |                         |                         |                                  |                                  | Dec 31, 2024  | Aug 23, 2024                                      | Aug 04, 2023            | Aug 05, 2022            | Mar 04, 2022              |  |
| 1      | Star HFC Trust Feb 2023 | SN Series A             | 108.37                           | 58.73                            | [ICRA]AAA(SO) | [ICRA]AAA(SO)                                     | [ICRA]AAA(SO)           | [ICRA]AAA(SO)           | Provisional [ICRA]AAA(SO) |  |

### Complexity level of the rated instrument

| Trust Name              | Instrument   | Complexity Indicator |
|-------------------------|--------------|----------------------|
| Star HFC Trust Dec21    | PTC Series A | Moderately Complex   |
| Star HFC Trust Feb 2022 | SN 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 |
|--------------------------------|--------------|-----------------------------|-----------------------|---------------|--------------------------|----------------|
| <b>Star HFC Trust Dec21</b>    | PTC Series A | Jan 03, 2022                | 9.03%*                | May 13, 2046  | 53.39                    | [ICRA]AAA(SO)  |
| <b>Star HFC Trust Feb 2022</b> | SN Series A  | Feb 26, 2022                | 9.16%*                | Nov 13, 2048  | 58.73                    | [ICRA]AAA(SO)  |

Source: Company; \*Linked to investor MCLR rate

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

Not Applicable

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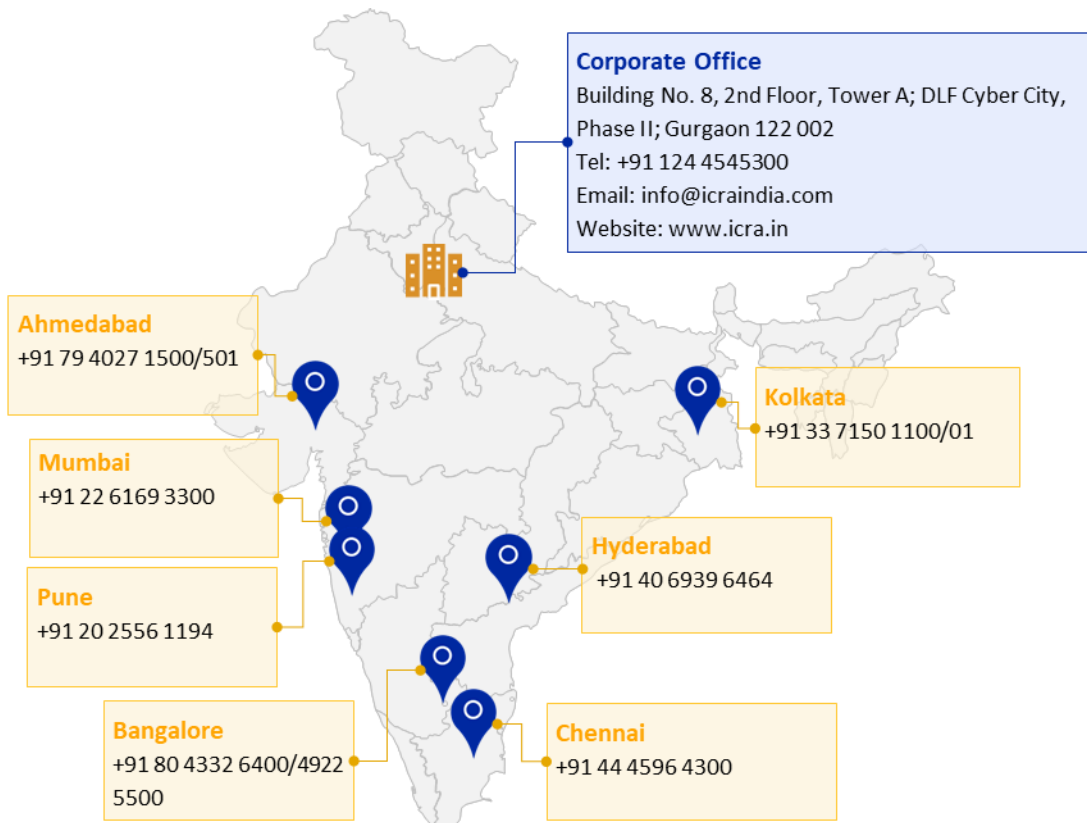
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