

February 25, 2025

## Piramal Capital & Housing Finance Limited: Rating reaffirmed for securitisation notes issued under mortgage loan securitisation transaction

### 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 September 2023	Series A SNs	482.01	NA	375.68	[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)}. PCHFL would be the servicer for the transaction.

The rating reaffirmation factors in the build-up of the credit enhancement cover over the future SN payouts on account of 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 January 2025 payout month.

### Pool performance summary

Parameter	Nirvana Trust September 2023
Payout month	January 2025
Months post securitisation	16
Pool amortisation (as % of initial pool principal)	22.06%
Series A SNs amortisation	22.06%
Cumulative collection efficiency <sup>1</sup>	99.48%
Cumulative prepayment rate	16.23%
Loss-cum-90+ days past due (dpd <sup>2</sup> ; % of initial pool)	0.53%
Loss-cum-180+ dpd <sup>3</sup> (% of initial pool)	0.28%
Cumulative cash collateral (CC) utilisation	0.00%
Breakeven collection efficiency <sup>4</sup> for Series A SNs	76.90%
CC (% of balance pool)	14.12%
Excess interest spread (EIS; % of balance pool) for Series A SNs <sup>5</sup>	39.28%

### Transaction structure

As per the transaction structure for the pool, 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 overdue 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 pool’s performance has been healthy with a cumulative collection efficiency of ~99% till the January 2025 payout month, which has resulted in low delinquencies with the 90+ days past due (dpd) and 180+ dpd at 0.53% and 0.28%, respectively. Further, there have been no instances of cash collateral (CC) utilisation till date owing to the strong collection performance and the presence of excess interest spread (EIS) in the transaction.

**Build-up in credit enhancement** – The rating factors in the build-up in the credit enhancement with the CC increasing to over 14% of the balance pool from 11.00% at the time of securitisation. Internal credit support is also available through the scheduled EIS.

### 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 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 3.50% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 6.0% to 20% 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	Nirvana Trust September 2023
Originator	Piramal Capital & Housing Finance Limited
Servicer	Piramal Capital & Housing Finance Limited
Trustee	Catalyst Trusteeship Limited
CC holding bank	ICICI Bank
Collection and payout account bank	ICICI Bank

## Liquidity position: Superior

The liquidity for the instrument is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement be ~7.5 times the estimated loss in the pool.

## Rating sensitivities

**Positive factors** – Not applicable

**Negative factors** – Pressure on the rating could emerge in the event of the consistently 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 December 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	<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 a 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 is engaged in real estate lending, housing finance, corporate lending, and emerging corporate lending across sectors. It has 508 branches 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, w.e.f. 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 it 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 had applied to the Reserve Bank of India (RBI) for an NBFC-ICC licence (while continuing to operate as an HFC in the interim). In December 2024, the RBI advised PCHFL to change its name to PFL and submit the new certificate of incorporation indicating the new name and intended business as an NBFC-ICC. The merger process is expected to be completed by September 2025.

### Key financial indicators

PCHFL (standalone)	FY2023	FY2024	9M FY2025*
Total income	6,650	6,712	5,525
Profit after tax	-7,425	-1,911	-29
Assets under management	50,427	53,696	65,346
Gross NPA	3.5%	2.4%	3.0%
Net NPA	1.9%	1.0%	1.6%
CRAR	26.8%	21.6%	NA

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

**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 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
				Feb 25, 2025	Feb 28, 2024	Oct 03, 2023	-	-
1 Nirvana Trust September 2023	Series A SNs	482.01	375.68	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-

### Complexity level of the rated instrument

Trust name	Instrument	Complexity indicator
Nirvana Trust September 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 September 2023</b>	Series A SNs	September 30, 2023	8.40%*	September 14, 2048	375.68	[ICRA]AAA(SO)

\*Floating, linked to 6M-I-MCLR fixed spread of -45 basis points (bps); reset semi-annually  
Source: Company

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

Not applicable

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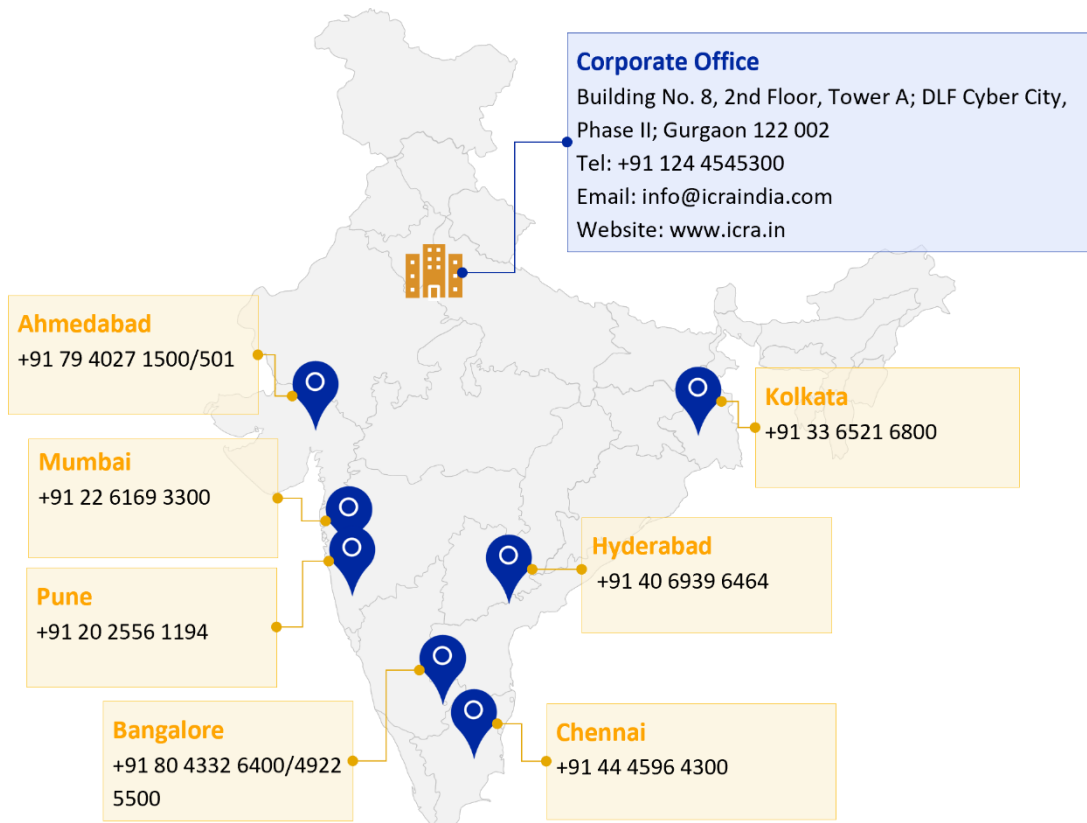
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