

March 20, 2025

Nido Home Finance Limited: Rating reaffirmed for ABS backed by home loan receivables issued by HL Trust 19

Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
HL Trust 19	Series A1 ABS	36.13	27.91	22.39	[ICRA]AAA(SO); reaffirmed

*Instrument details are provided in Annexure I

Rationale

The asset-backed securities (ABS) are backed by home loan (HL) receivables originated by Nido Home Finance Limited {Nido; rated [ICRA]A+; Rating Watch with Negative Implications/Originator}. Nido is also the servicer for the rated transaction.

The rating reaffirmation factors in the build-up of the credit enhancement cover over the future investor payouts on account of high amortisation and healthy pool performance. The rating also draw comfort from the fact that the breakeven collection efficiency is lower than the actual collection level observed in the pool till the February 2025 payout month.

Pool performance summary

Parameter	HL Trust 19
Payout month	February 2025
Months post securitisation	26
Pool amortisation	34.2%
Series A1 ABS amortisation	38.1%
Cumulative collection efficiency ¹	98.0%
Loss cum 0+ days past due (dpd; % of initial pool principal) ²	13.1%
Loss-cum-30+ dpd (% of initial pool principal) ³	6.6%
Loss-cum-90+ dpd (% of initial pool principal) ⁴	1.6%
Breakeven collection efficiency ⁵ for Series A1 ABS	58.8%
Cumulative cash collateral (CC) utilisation (% of initial CC)	0.0%
CC (as % of balance pool principal)	14.4%
Subordination (as % of balance pool principal)	15.3%
Excess interest spread (EIS; as % of balance pool): Series A1 ABS ⁶	60.4%
Cumulative prepayment rate	28.7%

¹ (Cumulative current and overdue collections till date)/(Cumulative billing till date)

² Inclusive of unbilled and overdue principal portion of contracts delinquent, as a % of Initial pool principal

³ Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 30 days, as a % of Initial pool principal

⁴ Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 90 days, as a % of Initial pool principal

⁵ Breakeven collection efficiency = Balance ABS cash flows – Cash collateral available/Balance pool cash flows

⁶ (Balance pool cash flows – Balance cash flows to ABS – Originator's residual share)/Pool principal outstanding

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout and principal payout (90% of the pool principal billed). The balance principal (10% of the pool principal billed) is expected to be paid on a monthly basis until the maturity of Series A1 ABS. Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, would be passed on as the expected yield to Series A2 ABS (subordinated tranche held by the Originator). Any prepayment in the pool would be used for the prepayment of Series A1 ABS principal.

Reset of credit enhancement

At the Originator's request for resetting the credit enhancement, ICRA has analysed the transaction and the underlying pool. As per ICRA's analysis, the cash collateral (CC) required to maintain the present rating is Rs. 2.67 crore (10.11% of balance pool principal) against the existing CC of Rs. 3.81 crore (14.43% of balance pool principal). Based on the pool's performance, the rating for the ABS will remain unchanged even after the CC amount is reset. However, as per regulatory guidelines, the maximum 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. The CC reset shall be subject to the approval of the ABS investors.

Key rating drivers and their description

Credit strengths

Substantial credit enhancement available in the structure –The rating factors in the build-up of credit enhancement for the trust where the cash collateral has increased to 14% of the balance pool principal as compared to 9.5% at time of securitisation. Further, the internal credit support is also available through subordination of 15%.

Healthy pool performance – Performance of the pool has been strong with cumulative collection efficiency for the trust being above 98% till February 2025 payout month and break-even collection efficiency is comfortably lower than the monthly collection efficiency observed in the pool. The pool has reported low delinquency with 90+ dpd being 1.6%. Further, there have been no instances of cash collateral utilisation for the pool till date owing to strong collection performance and the presence of EIS.

Adequate servicing capability of Nido – The company has an established track record of more than a decade in the mortgage loan business with adequate underwriting policies and collection procedures across a wide geography. It has a satisfactory process for servicing the loan accounts in the securitised pool.

Credit challenges

Exposed to interest rate risk: Exposure to interest rate risk given that the pool has contracts with floating rate and fixed rate loans, while the yield on ABS is fixed.

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 mortgage-backed securitisation (MBS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the balance tenor of the pool) and prepayments in the pool. The assumptions for the loss and the coefficient of variation (CoV) are arrived at after taking into account the past performance of the originator's portfolio and rated pools as well as the performance and characteristics of the specific pool being evaluated.

Additionally, the assumptions may be adjusted to factor in the current operating environment and any industry-specific factors that ICRA believes could impact the performance of the underlying pool of contracts.

For the current pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 5.75% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 6.0% to 20.0% 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	HL Trust 19
Originator	Nido Home Finance Limited
Servicer	Nido Home Finance Limited
Trustee	IDBI Trusteeship Services Limited
CC bank	ICICI Bank Limited
Collection and payout account bank	ICICI Bank Limited

Liquidity position: Superior

The liquidity for Series A1 ABS 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 times the estimated loss in the pool.

Rating sensitivities

Positive factors – Not applicable

Negative factors – The sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and higher CE utilisation levels, could result in a rating downgrade. 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 the February 2025 payout month (January 2025 collection month), the present delinquency profile of the pool, the credit enhancement available in the transaction, 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

Nido Home Finance Limited (Nido) is a housing finance company registered with National Housing Bank. It was incorporated in FY2011 following the Group's strategy of creating a footprint in the affordable housing space. As a part of the Group's positioning exercise, the company was rechristened Nido Home Finance Limited (Formerly Edelweiss Housing Finance Limited) in May 2023. In recent years, the company has realigned its strategy to focus on low ticket-sized home loans. Nido reported a net profit of Rs. 19crore in FY2024 (Rs. 3crore in H1 FY2025) compared to Rs.16 crore in FY2023. As of September 30, 2024,

its capitalisation profile was characterised by a net worth of Rs. 813 crore, a gearing of 2.2 times and a capital adequacy ratio of 37.6%.

Edelweiss Financial Services Limited (parent)

Incorporated in 1995, Edelweiss is a SEBI-registered merchant banker with a presence across multiple businesses in the financial services space through its subsidiaries. Currently, the Group is engaged in retail lending, alternatives, asset management, life & general insurance, and asset reconstruction. The Group had an established position in the wealth management business before it unlocked the value in it by selling its controlling stake in FY2021.

On a standalone basis, Edelweiss posted a total income of Rs. 1,028 crore and a profit after tax (PAT) of Rs. 695 crore in FY2024 compared to Rs. 3,089 crore and Rs. 2,388 crore, respectively, in FY2023. On a consolidated basis, it posted a total income of Rs. 9,602 crore and a PAT of Rs. 528 crore in FY2024 compared to Rs. 8,633 crore and Rs. 406 crore, respectively, in FY2023.

Key financial indicators

Edelweiss Financial Services Limited (consolidated)	FY2023	FY2024	H1 FY2025 [^]
Interest income	8,633	9,602	5,179
Profit after tax	406	528	222
Assets under management (AUM)	17,354	14,804	13,808
Gross stage 3	62.2%	68.9%	NA
Capital-to-risk adequacy ratio (CRAR) [#]	33.7%	42.0%	44.5%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; [^] Unaudited; [#] Considers ECL Finance Limited, Nido Home Finance Limited and Edelweiss Retail Finance Limited; AUM includes net retail, wholesale loans, purchase of credit impaired loans, and security receipts (wherein loan was originated by Group entity)

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				Date & Rating in FY2022
		Initial Amount Rated (Rs. crore)	Current Rated Amount (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023		
				Mar 20, 2025	Mar 20, 2024	Mar 14, 2023	Dec 23, 2022	
HL Trust 19	Series A1 ABS	36.13	22.39	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
HL Trust 19	Series A1 ABS	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 Type	Date of Issuance	Coupon Rate (p.a.p.m.)	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
HL Trust 19	Series A1 ABS	December 15, 2022	8.75%	January 31, 2058	22.39	[ICRA]AAA(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

Sumit Pramanik

+91 22 6114 3462

sumit.pramanik@icraindia.com

Mrugesh Trivedi

+91 22 6114 3436

mrugesh.trivedi@icraindia.com

Priya Gounder

+91 22 6114 3414

priya.gounder@icraindia.com

RELATIONSHIP CONTACT

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



© Copyright, 2025 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.