

Rating Rationale

2 March 2022

HL163_30DEC19_UNITED_PCG - Originated by Indiabulls Housing Finance Limited

Brickwork Ratings reaffirms the ratings for the assignee payouts pool of Rs 250.69 Crs under partial credit guarantee scheme backed by housing loan receivables issued and originated by Indiabulls Housing Finance Limited (IBHFL) and assigned to United Bank of India.

Particulars

Instrument**	Rated Amount (Rs in Crs)	Previous Amount (Rs in Crs)	Present Amount (Rs in Crs)	Cash Collateral (Rs in Crs)	Tenure	Payout Maturity Date	Previous Rating (Feb 2021)	Present Rating*
Assignee Payouts (HL163_30DEC19_UNITED_PCG)	486.49	342.23	250.69	48.65	Long Term	05-Oct-2044 (Revised from 5 Apr 2044)	BWR AA (SO) Stable	BWR AA (SO) Stable (Reaffirmation)
Total	486.49	342.23	250.69	48.65	INR Two Hundred Fifty Crores and Sixty Nine Lakhs Only			

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of the instrument are provided in Annexure-I

Brickwork Ratings (BWR) reaffirms 'BWR AA (SO)/Stable' ratings assigned to assignee payouts pool of Rs 250.69 Crs issued/originated by "Indiabulls Housing Finance Ltd" (IBHFL) as tabulated above.

The rating reaffirmation factors the strength of cash flows of the underlying pool, credit enhancement available in the form of Excess Interest Spread (EIS) and First Loss Credit Facility (FLCF) available in the form of fixed deposits, IBHFL's (originator) servicing capabilities and soundness of the transaction's legal structure.

As a part of the COVID-19 – Regulatory Package extended by the Reserve Bank of India (RBI) on May 22, 2020, United bank of India, the investor for the said transaction had extended moratorium to eligible customers in the pool and has increased the maturity date by the number of months for which the moratorium was availed.

IDBI Trusteeship Services Limited (IDBI) is the appointed trustee for the said transaction to monitor the transaction on behalf of the investor. The credit enhancement in the form of fixed deposits which was 10% of initial assignee payout and is 19.41% of outstanding assignee payout is placed with Punjab National Bank erstwhile United Bank of India.

Pool Characteristics

The selected pool consists of loan receivables pertaining to housing loans against residential properties. The underlying loans have monthly repayment frequency and service the interest on a monthly basis. The average outstanding of loans in the pool is Rs 25.48 lakhs. The initial pool amount rated was Rs 486.49 Crs which has amortised by ~48.47% and current outstanding is Rs 250.69 Crs as on January 2022 payout.

Key Rating Drivers

Credit Strengths:-

- Credit enhancement available in the form of Excess Interest Spread (EIS) of 15.96% of the pool principal for the tenor of the pool, First Loss Credit Facility (FLCF) of Rs 48.65 Crs available in the form of fixed deposits (19.41% of outstanding pool principal).
- All the contracts in the pool are current as on the pool cut-off date with cumulative collection efficiency of 98.90%.
- 100% of the pool comprises home loans where delinquencies are lower.

Credit Weakness:-

- Moderate repayment track record of the borrowers.

Liquidity Position: Strong

The credit cum liquidity enhancement available in the transaction is ~ Rs 48.65 Crs (19.41% of o/s pool principal) which is in the form of fixed deposit.

Key Rating Assumptions

To assess the collection shortfalls and gross default rates for this transaction, BWR has analyzed the pool characteristics vis-a-vis the overall portfolio of the company, the performance of static pool of IBHFL's loan portfolio and the current operating environment that could impact the performance of the underlying pool contracts and the prepayment rate. BWR expects the base case peak shortfall in the pool to be in the range of 3.00% to 4.00% of pool principal. BWR expects the prepayments in the range of 1.00% to 2.00% per annum.

Analytical Approach

The rating is based on the analysis of the past performance of IBHFL's portfolio, key characteristics and composition of the current pool, performance expected over the balance tenure of the pool and the credit enhancement available in the transaction.

About Originator

Indiabulls Housing Finance Ltd (IBHFL), incorporated in 2006, is registered with and regulated by National Housing Bank (NHB) and is engaged in the business of mortgage-backed finance - home loans and loan against property, and corporate mortgage loan - lease rental discounting and residential construction finance. The company is promoted by Mr. Sameer Gehlaut, who has a

21.70% shareholding directly or through other fully owned entities. The company is listed on the BSE/NSE. IBHFL is the flagship company of Indiabulls Group, a leading business house with businesses spread across many sectors, including housing finance, real estate and financial services.

Business Operations & Volume:

IBHFL has an established position in retail mortgage finance as one of the largest HFCs in India with a consolidated AUM of Rs 73,914 Crs and an outstanding loan portfolio of Rs 60,979 Crs as on 31 Dec 2021. The AUM and loan portfolio have grown at a CAGR of 24% and 21%, respectively from March, 2014 to March 2019. However, in the last two years, the AUM and the loan book have shrunken, given the funding challenges faced by HFCs from the second half of FY 2019, high reliance on securitisation and the company's decision to reduce its exposure to developer loans, which is expected to result in a further moderation in its own book

Asset Quality:

Asset quality has witnessed some stress in the past few quarters, with gross non-performing asset (GNPA) and net non-performing asset (NNPA) increasing to 3.18% and 1.80% respectively, as on 31-Dec-2021, when compared with 2.66% and 1.59%, respectively, as on 31-March-2021 and 1.84% and 1.24%, respectively, as on 31-March-2020, mainly due to high slippages in the non-housing loan book and shrinkage in the asset base. IBHFL has total provisions of ₹ 3,153 Crs on its balance sheet which is equivalent to 5% of its loan book.

Comfortable capitalization:

As on 31 Dec 2021, IBHFL's total capital to risk weighted assets ratio (CRAR) stood comfortably at 31.20%, with the Tier I CAR of 25.70%, which is well above NHB's stipulated minimum requirement of a total CAR of 14% by 31 Mar 2021 and 15% by 31 Mar 2022. As on 31 Dec 2021, IBHFL's net worth stood at Rs 16,405, against total debt of Rs 55,361, resulting in a gearing of 3.37x. It has an asset risk cover with net-worth coverage for net non-performing assets (NPAs) at 12.30 times as on 31 Dec 2021.

Company Financial Performance:

IBHFL's profitability has declined in the last two years with the ROA and ROE being at 1.30% and 7.50%, respectively, for 9MFY22 and with an ROA and ROE of 1.30% and 7.50%, respectively, for FY21 compared to ROA and ROE of 1.90% and 17.60%, respectively, for FY20. This was mainly due to falling revenues on the back of shrinking loan book and falling NIMs as the company is selling down the high yielding developer loan portfolio coupled with higher credit costs in the non-housing loan portfolio

Strong liquidity:

IBHFL has strong liquidity, with the ALM profile dated 31 Dec 2021 demonstrating cumulative positive mismatch across various buckets and with a positive mismatch of Rs 10,464 Crs at the end of one year. The company also had cash & liquid investments and undrawn available sanctions of Rs.9,041 Crs as on 31 Dec 2021 against total debt repayment of Rs 13,027 Crs upto

December 2022. Its reliance on commercial paper funding has reduced to nil and entirely depends on long-term funds.

Key Financial Ratios:

Key Parameters	Units	FY19	FY20	FY21	9MFY22
Result Type		Audited	Audited	Audited	Unaudited
Consolidated AUM	₹ Cr	1,20,525	93,021	80,741	73,914
Loan Portfolio	₹ Cr	92,298	73,064	66,047	60,979
Net Interest Income	₹ Cr	6,382	4,711	3,091	2,129
PAT	₹ Cr	4,090	2,200	1,202	870
Tangible Net worth (TNW)	₹ Cr	16,403	15,462	16,040	16,405
CRAR	%	26.69	27.09	30.72	31.20
GNPA	%	0.88	1.84	2.66	3.18
NNPA	%	0.69	1.24	1.59	1.80

RATING HISTORY FOR THE PREVIOUS THREE YEARS (Including withdrawal and suspended)

Sr No	Name of Instrument	Current Rating (Feb 2022)			Rating History			
		Type	Amount (₹ Cr)	Rating	2021	2020	2019	2018
1	Assignee Payouts	Long Term	250.69	BWR AA (SO) Stable Reaffirmed	4 Feb 2021 BWR AA (SO) Stable Reaffirmed	4 Feb 2020 BWR AA (SO) Stable Affirmed 2 Jan 2020 Provisional BWR AA (SO) Stable Assigned	NA	NA
	Total		250.69	INR Two Hundred Fifty Crores and Sixty Nine Lakhs Only				

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY:NA

COMPLEXITY LEVELS OF THE INSTRUMENTS: HIGHLY COMPLEX

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Rating Criteria for Securitisation Transactions](#)

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Indiabulls Housing Finance Limited

ANNEXURE I

Details of Instrument rated by BWR

Instrument	Initial Pool Principal (Rs Crores)	Outstanding Amount (Rs. Crores)	Coupon Rate %	Maturity Date	ISIN
Assignee Payouts under HL163_30DEC19_UNITED_PCG	486.49	250.69#	8.85	05-Oct-2044 (Revised from 5 Apr 2044)	NA

Amount outstanding after January 2022 payout.



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