

## Rating Rationale

12 Jan 2024

**Indian Receivable Trust 2019 Series 6.  
Originator- Reliance Commercial Finance Limited  
(previously Reliance Home Finance Limited)**

**Brickwork Ratings reaffirms ratings assigned to PTCs of Rs 52.94 Crs issued by “Indian Receivable Trust 2019 Series 6” trust backed by home loans and LAP receivables originated by Reliance Commercial Finance Limited (previously Reliance Home Finance Limited).**

### Particulars

Transaction	Instrument	Original Amount (Rs Crs)	Previous amount (Rs Crs)	Present Amount (Rs Crs)	Tenure	Previous Rating*	Present rating*
						23 Dec 2022	
Indian Receivable Trust 2019 Series 6	PTCs	291.37	70.59	<b>52.94</b>	Long Term	BWR A+ (SO) /Stable Reaffirmed	<b>BWR A+ (SO) /Stable Reaffirmed</b>
	<b>Total</b>	291.37	70.59	<b>52.94</b>	<b>Rupees Fifty Two Crores and Ninety Four Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings.

Details of PTCs is provided in Annexure-I

SO-The Rating is for Structured Finance Product.

### **RATING ACTION / OUTLOOK**

Brickwork Ratings (BWR) reaffirms the rating of ‘BWR A+ (SO) /Stable for PTCs assigned to “Indian Receivable Trust 2019 Series 6” PTCs (pass-through certificates) issued/originated by “Reliance Commercial Finance Limited (previously Reliance Home Finance Limited)” as tabulated above.

The rating takes into consideration the strength of the cash flows of the underlying pool, credit enhancement available in the form of fixed deposits with Yes bank equivalent to 15% of initial POS of PTCs (improved to 64.12%), the payment mechanism of the transaction, servicing capabilities and soundness of the transaction's legal structure and no default statement from the trustee. However, the rating is constrained by higher proportion of longer tenure loans and higher LTV loans where delinquencies could be higher and moderate track record of payments in the pool.

The Stable outlook indicates no expected rating change in near to medium term with the consistency of the cash flows of the underlying pool and adequacy of credit enhancement.

### **Transaction Structure and Key Covenants**

According to the transaction structure, the loan receivables will be transferred “at par” to a Special Purpose Vehicle (SPV) and the Trust will issue the PTCs to the investors. The transaction will have a TITP structure.

### **Credit Enhancement:**

The said PTC transaction has credit enhancement in the form of fixed deposits with Yes Bank, equivalent to 15% of initial POS (improved to 64.12%), for an amount of Rs 33.94 Crs.

### **Payment Waterfall Mechanism**

On each Payout Date, the Collections of every month shall be distributed in accordance with the Waterfall Mechanism:

1. for payment of all statutory and regulatory dues;
2. Payment of expenses incurred by the Trustee (upto maximum of Rs. 5 Lakh p.a.) and those incurred by the bank where the trust account is placed (up to a maximum of Rs. 1 Lakh p.a.);
3. for payment of all opening overdues if any;
4. for payment of interest amount to the Investor on the principal outstanding for the period at the PTC Yield Rate;
5. for payment of principal due to the Investor in accordance with the payout schedule and prepayment principal as received in the underlying schedule;
6. EIS to be used for top-up of Cash Collateral Account to the extent utilized on any earlier Payout Date, balance EIS amount to be held in trust with CSA (as defined in Structure above) for sole benefit of Investors till last Payout Date.
7. Any prepayments in the underlying loans shall be pass through and go towards repayment of principal outstanding of PTCs. The revised PTC repayment schedule will change in line with the change in underlying Pool repayment schedule.

### **Details of the Nature of Underlying assets and Pool Characteristics**

- The initial pool (Rs 291.37 Crs) consisted of loan receivables pertaining to Home Loans (55.39%), Affordable Housing Loans (8.42%) and Loan Against Property (LAP) (36.19%).
- The underlying loans have monthly repayment frequency and service the interest on a monthly basis.
- Around 81.83% of PTCs have been amortized and present outstanding is Rs 52.94 Crs as per December 2023 payout.
- Total no of contracts in the pool were 236. Current outstanding contracts as on Dec 2023 is 188.

## Key Rating Drivers

### Credit Strengths:-

- Credit enhancement available in the form of Fixed Deposits equivalent to 64.12% of outstanding Balance POS after Dec 23 Payout, increased from 15% of initial pool principal.
- Prepayment of Rs. 206.53 Crs was made till date. (70.88% of initial POS)
- EIS of 3.29% of initial pool principal.

### Credit Weakness:-

- Originator's credit profile is weak. However the paying and servicing agent has changed to Yes Bank
- Legal risk on account of change in the originator.
- Moderate track record of payment in the initial pool.

### Liquidity Position: Strong

The credit cum liquidity enhancement available in the transaction is ~ Rs 33.94 Crs (64.12% of outstanding Balance of PTCs) which is in the form of fixed deposit with Yes Bank.

There is also an EIS of 3.29% of the initial pool principal.

### Pool Performance Summary

Pool Performance	Till Nov 2023 collection (Dec 2023 payout)
Months post Securitisation	57
Pool Amortisation %	81.83%
30+ Overdue Principal as a % of Balance POS	18.10%
90+ Overdue Principal as a % of Balance POS	17.81%
30+DPD as a % of initial POS	3.29%
90+DPD as a % of initial POS	3.24%
Cash Collateral as a % of Balance POS	64.12%
Cash Collateral Utilisation %	21.91%

### Key Rating Assumptions

To assess the collection shortfalls and gross default rates for this transaction, BWR had analyzed the pool characteristics vis-a-vis the overall portfolio of the company, the performance of static pool of the 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 2.50 to 3.50 % of initial pool principal. BWR expects the prepayments to be in the range of 1.00% to 1.50% per month in LAP and 1.50% to 2.00% in HL. The credit enhancement of cash collateral has been increasing.



### Analytical Approach

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

### Rating Sensitivities:

The rating is driven by the strength of cash flows of the underlying pool, credit enhancement in the form of fixed Deposits equivalent to 15% of Initial PTCs (improved to 64.12%).

#### Positive:

Substantial increase in the credit enhancement available in the structure and lower than expected delinquencies and substantial improvement of the originator's credit profile.

#### Negative:

Any deterioration in the credit enhancement, deterioration in the credit profile of the servicer, deterioration in the collections of the pool, legal risk will be key rating monitorables.

### Counterparty Details:

Capacity	Counterparty Name	Counterparty Ratings/ Track Record	Impact on credit rating in case of non-performance
Originator & Seller	Reliance Commercial Finance Limited (RCFL)	BWR D/ ISSUER NOT COOPERATING reaffirmed on Nov 23, 2023	Low impact
Collection and servicing agent	Yes Bank	CRISIL A/Positive / CRISIL A1+ rated by CRISIL as on Aug 22, 2023	Significant impact because of change in servicing quality and replacement cost of servicer. However, currently BWR does not envisage the need for replacement. The Trust or investor has the right to change the servicer with an intimation to BWR.
Collection & Payout Account Bank	Yes Bank	CRISIL A/Positive / CRISIL A1+ rated by CRISIL as on Aug 22, 2023	Negligible Impact. Account bank can be changed without impacting the rating.
Trustee	Catalyst Trusteeship Limited	Adequate Track Record	Negligible impact, It can be replaced with minimal cost.
Cash Collateral in the form of fixed deposits	Yes Bank	CRISIL A/Positive / CRISIL A1+ rated by CRISIL as on Aug 22, 2023	Negligible impact, Bank with whom the fixed deposit is maintained can be changed without impacting the rating.



**Originators, their track Record, Financials and Trend Analysis.**

The originator was previously Reliance Home Finance Limited but post the Business Transfer in March 2023, the current originator is Reliance Commercial Finance Limited. Reliance Commercial Finance Limited is a public limited company and is engaged in lending activities. It offers a wide range of products which include SME loans, Microfinance, Loan Against Property (LAP), Infrastructure Finance, Agriculture Loans, Supply chain Finance, Two Wheeler Financing and Used Car loans.

As informed by the originator, “On March 3, the Supreme Court approved the resolution plan submitted by Authum Investment & Infrastructure Limited (Authum) the Resolution Applicant, with the option for dissenting debenture holders to accept its condition or pursue other legal avenues to recover their debts. Pursuant to the debt resolution of Reliance Home Finance Limited all transferred assets and assumed liabilities were transferred to Reliance Commercial Finance Limited (100% subsidiary of Authum Investment & Infrastructure Limited) vide ‘Agreement to Transfer Business’ dated March 29, 2023.

The Originator of the below mentioned pool is Reliance Home Finance Limited, post the Business Transfer Agreement dated March 29, 2023, Reliance Home Finance Limited (seller) transferred, assigned, delivered, and conveyed all of its rights, title, in and under its Transferred Assets and the Transferred Agreements to the Buyer (Reliance Commercial finance Limited (Buyer)).”

Transaction Name	Rating Agency
Indian Receivable Trust 2019 Series 6	Brickwork Ratings

**Key Financial Performance on Consolidated Basis of RCFL (As available in public domain):**

Key parameters	Units	FY2022	FY2023	H1 FY2023	H1 FY2024
		Audited	Audited	Unaudited	Unaudited
Loan Portfolio (Outstanding)	Rs Crs	628.00	2161.25	460.93	1724.16
Total Operating Income	Rs Crs	196	164.54	96.29	174.92
Interest Income from Operations	Rs Crs	174.76	97.18	69.00	92.40
Net Profit	Rs Crs	-7,079.00	4,043.36	-18.39	1326.04
Total net worth	Rs Crs	-10,379.00	-3249.1	-10398	-4352.44
Borrowings	Rs Crs	9,751.00	5113.98	8988.97	3058.24
Gearing	Times	Negative	Negative	Negative	Negative
CRAR	%	-1,273.95	-175.32	-1180.52	-4.92
GNPA	%	93.12	82.23	94.86	76.64



**Past rated pools** BWR Ratings has outstanding ratings on securitisation transactions originated by RCFL. BWR Ratings is receiving performance reports pertaining to these transactions.

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

Sr. No	Instrument	Type	Present Amount (Rs in Crs)	Present Rating	Rating History				
					15-Dec-22	10-Dec-21	04-Dec-20	03-Dec-19	18-Mar-19
1	PTCs	Long Term	52.94	BWR A+ (SO)/Stable Reaffirmation	BWR A+ (SO)/ Stable	BWR A+ (SO)/ Stable	BWR A+ (SO)/ Stable	BWR A+ (SO)/ Stable	Provisional BWR AA (SO)/ Stable

**RATING MIGRATIONS TO SPECULATIVE CATEGORIES AND DEFAULTS: NA**

**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](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

Hyperlink/Reference to applicable Criteria

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

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## Indian Receivable Trust 2019 Series 6

### Annexure I: Details of PTCs

Instrument	Transaction Structure	Payment Mechanism	PTC Outstanding (Rs. Crs.)	Transaction Yield	Date of Issue	Date of Maturity
PTCs	Par	Timely Interest and Timely Principal (TITP)	52.94	10.50%	16-Apr-19	17-Mar-37
<b>Total</b>			<b>52.94</b>	<b>Rupees Fifty Two Crores and Ninety Four Lakhs Only</b>		

\*Outstanding as per December 2023 payout report

#### For print and digital media

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