

## RATING RATIONALE

23 Dec 2022

### Indian Receivable Trust 2019 Series 5 (Originator: Reliance Home Finance Limited)

**Brickwork Ratings reaffirms ratings assigned to PTCs of Rs 91.29 Crs issued by “Indian Receivable Trust 2019 Series 5” backed by loan against properties (LAP) and housing loan receivables originated by Reliance Home Finance Limited.**

#### Particulars

Instrument **	Previous amount (Rs Crs)	Present Amount (Rs Crs)	Tenure	Cash Collateral (Rs.in Crs)	Previous Rating	Present rating*
					24-Dec-21	
Series A2- PTCs	150.06	<b>91.29</b>	Long Term	56.90	BWR A+ (SO) Negative (Reaffirmed)	<b>BWR A+ (SO) 'Negative' (Reaffirmed)</b>
<b>Total</b>	150.06	<b>91.29</b>	<b>Rupees Ninety One Crores and Twenty Nine Lakhs only.</b>			

Series A1 PTC issued for Rs 175.07 was amortized and rating withdrawn by BWR on 24 Dec 2021.

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

\*\* Details of PTCs are provided in Annexure-I.

#### RATING ACTION / OUTLOOK:

Brickwork Ratings (BWR) has reaffirmed the ratings assigned to Series A2 Pass through Certificates (PTCs) of Rs 91.29 Crs issued by “**Indian Receivable Trust 2019 Series 5**” backed by loan against properties (LAP) and housing loan receivables originated by Reliance Home Finance Limited as tabulated above.

The rating factors in the increase in credit enhancement available since the time of initial rating, given the regular repayments and prepayments. The rating takes into consideration the strength of the cash flows of the underlying pool, First Loss Credit Facility (FLCF, placed with Axis Bank) available in the form of fixed deposits of Rs 56.90 Crs equivalent to 45.71% of remaining pool principal, over collateralization of loan receivables which is 26.66% of the remaining pool principal, the payment mechanism of the transaction and soundness of the transaction's legal structure.

However, the rating is constrained by the moderate track record of payments in the pool, moderate collection efficiency of 92% till Dec 22 payout and collection risk.

The negative outlook is on account of high proportion of LAP in the total portfolio i.e. more than 50% and a commingling risk on account of moderate experience of the service provider (SBFC Finance Pvt Ltd.- commenced operations in 2017) and the the possibility of continued lower collections which remains a key rating monitorable



**Transaction Structure:** According to the transaction structure, the loan receivables are transferred “at par” to a Special Purpose Vehicle (SPV) and the Trust has issued Series A1 PTCs and Series A2 PTCs to the investors. All of Series A1 PTCs were amortized in May 2021.

**Credit Enhancement:**

The said PTCs transaction has a Credit Enhancement in form of:

- 1) Over collateralisation of loan receivables (4% of pool principal),
- 2) Excess Interest Spread (EIS) (5% of pool principal)
- 3) First Loss Credit Facility (FLCF) available in the form of fixed deposits (13% of pool principal)

**Payment Mechanism:**

On each Payout Date, proceeds realized by the Trustee from the Receivables in the Collection Period immediately preceding the relevant Payout Date and deposited in the collection and payout account by the Servicer, together with any amounts then available in the collection and payout account and amounts drawn, to the extent necessary, from the Credit Enhancement and transferred to the collection and payout account in accordance with the Transaction Documents shall be utilized by the Trustee in the orders of priority provided below

- Payment of statutory/ regulatory dues
- for the payment of any fees and expenses incurred by the Trustee or any fees payable to service providers and/ or any other amounts expressly provided for in the Transaction Documents; (servicer fees - 0.15% p.a. on pool principal).
- For payment of arrears in the Yield due in respect of the Series A PTCs together with any carryforward charges in relation thereto, on a *pro rata* basis;
- For payment of arrears in the principal portion due in respect of the Series A PTCs, on a *pro rata* basis;
- For payment of Yield to the Investors of Series A PTC, on a *pro rata* basis;
- For payment of the principal portion of the scheduled payouts and Prepayment proceeds to the Series A.
- For reinstatement of the FLCF Credit Collateral
- For payment of the principal portion of the scheduled payouts to the Principal subordination / over collateral.
- Residual amount for making payment of Yield to Principal subordination / over collateral

After all the scheduled payouts to the Investors, are made in full, the residual amounts or any outstanding Receivables will belong to the Assignor. Notwithstanding anything contained hereinabove, on the occurrence of a PTC Event of Default, if the Trustee, acting upon the written instructions of the Investors holding Majority Interest, demands acceleration of payments due to the Investors, no residual EIS payments shall be made to the Assignor and any such residual amounts shall be utilized for accelerating the principal amounts due on the Series A PTCs. The acceleration shall stop from the date when all the Principal and Interest due has been made good to the satisfaction of Trustee.

For the sake of abundant caution, it is clarified that once payment of the residual Excess Interest



Spread has been made to the Seller as per the Waterfall Mechanism stated above, the amounts so paid, shall not be available to the Trust for meeting shortfalls in any future payouts to the Investors

In the above mechanism, All Payment of monthly scheduled Principal to Series A1, Series A2 PTC holder and Principal subordination / over collateral shall be in the proportion of 70%, 26% and 4% respectively till the time Series A1 is repaid fully, provided that in case of any shortfalls, the principal component payable towards the Principal Subordinated Interest shall be used to meet such shortfall in payouts towards Series A1 PTCs and Series A2 PTCs. Thereafter, Payment of monthly scheduled Principal to Series A2 PTC holder and Principal subordination / over collateral shall be in the proportion of 96% and 4% respectively.

All the Prepayment (including foreclosure) shall be mandatorily paid **only** to Series A investors in the above mentioned proportion (i.e. 70:26 (equivalent to 72.92% and 27.08%) to Series A1 and Series A2 respectively till the time Series A1 is repaid fully and thereafter 100% of such prepayment proceeds shall be made to Series A2 only.

For the sake of abundant caution, it is clarified that the payment to Principal subordination / over collateral is subordinated to PTCs.

### **Pool Characteristics**

The initial pool (Rs 437.67 Crs) consisted of loan receivables pertaining to Home Loans (43.47%), Affordable Housing Loans (5.29%) and Loan Against Property (LAP) (51.24%).

The underlying loans have monthly repayment frequency and service the interest on a monthly basis.

All of Series A1 PTCs were amortized in May 2021. Series A2 PTCs is amortized by 62.75% as per Dec 22 payout and present outstanding is Rs 91.29 Crs

Total no of contracts outstanding in the pool are 322

### **Key Rating Drivers**

#### **Credit Strengths:-**

- Credit enhancement available in the form of over collateralisation of loan receivables (~26.66% of remaining pool principal as per Dec 22 payout).
- First Loss Credit Facility available in the form of fixed deposits at 45.71% of remaining pool principal as per Dec 22 payout, increased from 13% of initial pool principal.
- 43% of loans are housing loans where delinquencies are lower when compared to LAP loans.

#### **Credit Weakness:-**

- Moderate repayment track record of the borrowers.
- The 0+ DPD (days past due), 30+ DPD and 90+ DPD, as a % of initial pool, stood at 2.22%, 2.19% and 2.08% respectively as per December 2022 payout report.
- Higher than expected prepayments results in lower EIS at a later stage. Total prepayments are high at around 64.66% of initial pool principal till December 2022 payout.

**Liquidity Position: Adequate**

The credit cum liquidity enhancement available in the transaction is ~ Rs 56.90 Crs (45.71% of remaining pool principal) after December 2022 month payout, which is in the form of fixed deposit with Axis Bank. This covers approx 32 months of principal and interest obligations even in the event of no collections from the underlying pool. Liquidity is Adequate.

**Pool Performance Summary**

Pool Performance	Till Nov 2022 collection (Dec 2022 payout)
Months post Securitisation	46
Pool Amortisation %	71.56%
30+ Overdue Principal as a % of Balance POS	2.84%
90+ Overdue Principal as a % of Balance POS	2.72%
30+DPD as a % of initial POS	2.19%
90+DPD as a % of initial POS	2.08%
Cash Collateral as a % of Balance POS	45.71%
Cash Collateral Utilization %	Nil

**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 RHFL’s loan portfolio and the current operating environment that could impact the performance of the underlying pool contracts, the recovery rate and prepayment rate. BWR expects the base case peak shortfall in the pool to be between 5.50% - 6.50% of the pool principal. BWR expects the prepayments in the range of 1.00% to 1.50% per month in the LAP portfolio and 1.50% to 2.00% in the home loan portfolio.

**Analytical Approach**

The rating is based on the performance of the pools till Dec 2022 (the payout month) based on payout reports given by the Trustee, the present delinquency profile of the pool contracts, performance expected over the balance pool tenure, credit profile of the servicer, and the credit enhancement available in the transaction.

**Rating Sensitivities:**

**Positive:** The rating may be reviewed if the collection efficiency and credit enhancement of the pool improves significantly and sustains for a period of time and the risk associated are reduced substantially.

**Negative:** The rating may be downgraded if the collection efficiency of the pool deteriorates further, with lower collections resulting in decrease in credit enhancement and/or there is increase in delinquencies in the underlying loans and the risk associated are increased.

### Counterparty Details

Capacity	Counterparty Name	Counterparty Track Record	Ratings/	Impact on credit rating in case of non-performance
Originator & Seller	Reliance Home Finance Limited	BWR D/ Continues to be in ISSUER NOT COOPERATING# category/ Reaffirmed as on 04 Oct 2022		Negligible impact
Collection and servicing agent	SBFC Finance Private Limited (SBFC)	ICRA A+ upgrade from ICRA A and outlook revised to stable from Positive for Rs 3600 Crs as on 03 Oct 2022.		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.
Trustee	Catalyst Trusteeship Limited	Adequate Track Record		Negligible impact, It can be replaced with minimal cost.
Cash Collateral in the form of fixed deposits	Axis Bank	CRISIL AAA/ AA+(stable) as on 14 Dec 2022		Negligible impact, Bank with whom the fixed deposit is maintained can be changed without impacting the rating.

### About the Originators

Reliance Home Finance Limited (RHFL) is a subsidiary of Reliance Capital Limited (Rcap). RHFL was incorporated on 5 June 2008. The company is registered with the National Housing Bank as a Housing Finance Company. RHFL provides home loans, including affordable housing loans, loans against property and construction finance loans. The company is listed on BSE and NSE. The Company is rated BWR D/ Continues to be in ISSUER NOT COOPERATING# category as on 04 Oct 2022.

### UPDATE (as available from the Debenture trustee):

SEBI on 11 February 2022 had passed an interim order cum show cause notice under Section 11 of the SEBI Act against the Company and its key management personnel and has restrained them from buying, selling or dealing in securities until further orders. Certain lending banks of RHFL have entered into an InterCreditor Agreement (ICA) to arrive at a debt resolution plan in accordance with the circular dated June 7, 2019 issued by the Reserve Bank of India on Prudential Framework for Resolution of Stressed Assets with Bank of Baroda acting as the lead lender. Bank of Baroda, on behalf of ICA lenders, as part of the debt resolution process invited expressions of interest and bids from interested bidders. Lenders have selected Authum Investment and Infrastructure Limited as the successful Bidder to acquire the Company and / or all its assets through a competitive bidding process after several rounds of negotiations between the bidders and the Lenders. The implementation of the resolution plan by the successful bidder is subject to approval of non-ICA Lenders, shareholders, regulatory authorities and vacation of existing legal injunctions on the Company. A meeting of the Debenture Holders of Reliance Home Finance Limited called by IDBI Trusteeship Services Ltd. (Debenture Trustee) was held on May 13, 2022, for consideration and



approval of the Resolution Plan along with the Distribution Mechanism approved by ICA Lenders on June 19, 2021. Further, pursuant to the Order dated May 10, 2022 passed by the Hon'ble High Court of Judicature at Bombay, the results of the voting of the Meeting has been placed before the Hon'ble Court in a sealed envelope. Further, the Company is prohibited to dispose off, alienate, encumber either directly or indirectly or otherwise part with the possession of any assets, pursuant to Order dated November 20, 2019 passed by the Hon'ble Delhi High Court in the matter of OMP(I) COMM. 420/2/01

**KEY FINANCIAL INDICATORS (As available in public domain)**

Key Parameters		FY 2021	FY 2022
Result Type	Units	Audited	Audited
Loan Portfolio (Outstanding)	Rs Crs	10787	3108
Total Operating Income	Rs Crs	803	291
Net Profit	Rs Crs	-1520	-5439
Tangible net worth	Rs Crs	-52.96	-5492
Borrowings	Rs Crs	12976	12713
Gearing	Times	-ve	-ve
CRAR	%	Not available	Not available
GNPA	%	Not available	Not available

**Past rated pools:** BWR Ratings has outstanding ratings on securitisation transactions originated by Reliance Home Finance Limitedr4. BWR Ratings is receiving monthly performance reports pertaining to these transactions.

**NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY : NIL**



**RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal & suspended]**

Sr. No.	Name of Instrument	Current Rating (2022)			Rating History for the past 3 years				
		Type	Amount (Rs. Crs)	Rating	2021	2020	2019		
1	Series A1 PTCs	Long Term	-	-	24.12.2021 Rating withdrawn- Paid in full	04.12.2020 Rs 32.75 Crs BWR A+(SO)/Negative Reaffirmed	03.12.2019		
							Long Term	87.60	BWR A+(SO)/Negative (Downgraded)
							11.03.2019		
							Long Term	175.07	BWR AAA (SO)/Stable
							28.02.2019		
							Long Term	175.07	Provisional BWR AAA (SO)/Stable
2	Series A2 PTCs	Long Term	91.29	BWR A+(SO)/Negative Reaffirmed	24.12.2021 Rs 150.06 Crs BWR A+(SO)/Negative Reaffirmed	04.12.2020 Rs 193.10 Crs BWR A+(SO)/Negative Reaffirmed	03.12.2019		
							Long Term	212.61	BWR A+(SO)/Negative
							11.03.2019		
							Long Term	245.10	BWR AAA (SO)/Stable
							28.02.2019		
							Long Term	245.10	Provisional BWR AAA (SO)/Stable

**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](#)
- [Approach to Financial Ratios](#)
- [Rating Criteria for Securitization Transaction](#)

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**Reliance Home Finance Limited  
Annexure I: Details of PTCs**

Transaction	Instrument	Date of Allotment	Date of First pay out	Initial Pool Principal	Coupon Rate	Amount outstanding (Rs in Crs)#	Maturity Date	ISIN
Indian Receivable Trust 2019 Series 5	Series A2 PTCs	01 March 2019	08 March 2019	245.10	8.475%	91.29	08 Jan 2044	NA
	TOTAL					91.29		

# Amount outstanding after December 2022 payout.





### **For print and digital media**

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