

INDIAN RECEIVABLE TRUST 2019 SERIES 3

Originator: RELIANCE HOME FINANCE LIMITED

March 13, 2019

Ratings

Instrument	Amount (Rs. crore)	Structure	Yield	Tenure* (months)	Rating ¹	Credit Enhancement (Rs. Crore)	
						Over Collateral	Credit Collateral
Series A1 PTCs	67.28 (Rs. Sixty seven crore and twenty eight lakh Only)	Par	Floating	100	CARE AA (SO) [CARE Double A (Structured Obligation)]	18.84	25.57
Series A2 PTCs	173.59 (Rs. One hundred seventy three crore and fifty nine lakh Only)			301	CARE AA (SO) [CARE Double A (Structured Obligation)]		
Series A3 PTCs	9.42 (Rs. Nine crore and forty two lakh only)			301	CARE AA (SO) [CARE Double A (Structured Obligation)]		

Details of instruments/facilities in Annexure-1

**The tenure may change due to prepayments / foreclosures in the pool.*

Credit Enhancement includes Subordination of Excess Interest Spread (EIS) amounting to Rs.21.63 Cr. EIS is subordinated to series A payouts. Excess Interest Spread (EIS) is available as credit enhancement, and shall be utilized to make payments to Series A PTC holders in case of shortfall in collections. The rest would flow back to the originator and will not be available for meeting any future shortfalls.

Detailed Rationale & Key Rating Drivers

CARE had assigned a rating of 'Provisional CARE AA (SO)' [pronounced as 'Provisional CARE Double A (Structured Obligation)'] to the Series A1 PTCs, Series A2 PTCs and Series A3 PTCs issued by Indian Receivable Trust 2019 Series 3 backed by Home and LAP loan receivables originated by Reliance Home Finance Limited (RHFL).

The rating is now confirmed and rating of 'CARE AA (SO)' [pronounced as 'CARE Double A (Structured Obligation)'] to Series A1, Series A2 and Series A3 PTCs has been assigned. The rating assigned is finalized based on the structure provided to CARE by RHFL, the originator. The rating has been confirmed after the copies of legal documents executed in accordance with the structure, a due diligence audit report by an external auditor and an independent legal opinion is furnished by the originator (RHFL), to the satisfaction of CARE.

The pool assigned to the SPV by RHFL, consists of 1,232 loan contracts aggregating to principal outstanding of Rs. 269.12 crores. The pool includes LAP (50.12%) and Housing Loans (49.88%) originated by RHFL. Pool has a composition of 23.95% salaried borrowers and 76.05% self-employed borrowers. The pool has a weighted average net seasoning of 8.74 months on the pool cut-off date. The top three states account for 44.29% of the pool principal, and top state is 19.92%. The pool is highly diversified in terms of obligor exposures, with the top loan contract accounting for 0.33% of the pool; and top ten contracts comprising 3.12% of POS.

Applicable Criteria

[CARE's methodology for Asset / Mortgage Backed Securitization](#)

Key Rating Assumptions

CARE has analyzed the transaction to assess whether the credit and liquidity enhancement is sufficient to cover any shortfalls. Since the transaction is sensitive to credit quality of the underlying pool, CARE has studied recent trends in RHFL's portfolio performance; pool characteristics and the overall performance of the mortgage backed lending industry and has estimated the base case total peak shortfalls in the range of 3.0% to 4.0% of principal outstanding. Further, interest rate stresses have been applied in the transaction. Apart from this, stresses were also applied on other key factors such as, the timing of default, the recovery assumptions, the time to recovery, the prepayment rate and the resulting average pool rate compression.

About the Company

RHFL was incorporated in June 2008 and is the wholly-owned subsidiary of Reliance Capital Ltd. (RCL). The company primarily concentrates on retail mortgage loans. The company had gross loan portfolio of Rs. 14,655 crore with total AUM of Rs. 16,379 crore as on March 31, 2018. Out of the outstanding loan portfolio as on March 31, 2018, home loans, construction finance, LAP and others accounted for 49%, 30%, 20% and 1% of the portfolio respectively.

The company's portfolio is spread across 25 states with major concentration in Maharashtra, Gujarat and Tamil Nadu. The company is present in over 100 locations through 'hub and spoke' model and caters to over 41,000 customers. During FY18, RHFL earned PAT of Rs. 181 crore (Rs. 173 crore in FY17) on total income of Rs. 1,671 crore (Rs. 1,145 crore in FY17). As on March 31 2018, Gross NPA ratio was 0.67% (0.58% as on March 31, 2017). The Capital Adequacy Ratio (CAR) was comfortable at 19.83% as on March 31, 2018, as compared to 19.25% as on March 31, 2017. Asset quality was stable, with Gross NPA ratio at 0.87% as on March 31, 2018; as compared to 0.58% as on March 31, 2017.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	1,079	1,603
Reported PAT	173	181
Interest coverage (times)	1.2	1.3
Total Assets	11,059	15,337
Net NPA (%)	0.58	0.67
ROTA (%)	1.9	1.6

Status of non-cooperation with previous CRA:

N.A

Any other information:

N.A

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Series A1 Pass Through Certificates	February 21, 2019	SBI One Year MCLR plus 193bps	June 2027	67.28	CARE AA (SO)
Series A2 Pass Through Certificates	February 21, 2019	SBI One Year MCLR plus 193bps	February 2044	173.59	CARE AA (SO)
Series A3 Pass Through Certificates	February 21, 2019	SBI One Year MCLR plus 193bps	February 2044	9.42	CARE AA (SO)

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Series A1 Pass Through Certificates	LT	67.28	CARE AA (SO)	1)Provisional CARE AA (SO) (22-Feb-19)	-	-	-
2.	Series A2 Pass Through Certificates	LT	173.59	CARE AA (SO)	1)Provisional CARE AA (SO) (22-Feb-19)	-	-	-
3.	Series A3 Pass Through Certificates	LT	9.42	CARE AA (SO)	1)Provisional CARE AA (SO) (22-Feb-19)	-	-	-

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CIN - L67190MH1993PLC071691