

MARCH 13, 2015

CARE ASSIGNS PROVISIONAL RATING TO PASS THROUGH CERTIFICATES (PTCS) – PTC SERIES A1 AND SERIES A2 ISSUED BY NIRMAAN RMBS TRUST – SERIES I – 2015 BACKED BY HOUSING LOAN RECEIVABLES ORIGINATED BY DEWAN HOUSING FINANCE CORP. LTD.

Ratings

Facilities	Structure	PTC Principal Outstanding (Rs. crore)	Tenure (Months)	Yield	Ratings ¹	Enhancement ⁵ (Rs Crore)	
						Principal Subordination	Credit Collateral
Series A1 PTCs	Par	208.97	300	Floating	CARE AAA(SO)	6.46	22.62
Series A2 PTCs		6.46			CARE AA(SO)	-	

⁵ Credit Enhancement includes Subordination of Excess Interest Spread (EIS). EIS is subordinated to series A PTCs payouts. EIS arising in a month shall be available for meeting the shortfalls in corresponding monthly payout, replenishment of Credit Collateral. The remaining EIS, if any, in that month along with Subordinated Principal or Over-collateral shall flow back to the originator. Such amounts shall not be available for any future shortfalls.

Rating Rationale

CARE has assigned a provisional rating of 'CARE AAA (SO)' [pronounced as 'CARE Triple A (Structured Obligation)'] to the Series A1 PTCs and a provisional rating of 'CARE AA (SO)' [pronounced as 'CARE Double A (Structured Obligation)'] to the Series A2 PTCs issued by Nirmaan RMBS Trust – Series I – 2015 (NRMBS Trust – Series I – 2015) backed by housing loan receivables originated by Dewan Housing Finance Corporation Limited (DHFL). Instruments with CARE 'AAA (SO)' rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk. Instruments with CARE 'AA (SO)' rating are considered to have the high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.

The rating is based on the credit quality of the underlying loans; strong origination and servicing capability of DHFL; the transaction structure and defined payment mechanism; support in the form of credit cum liquidity enhancement facility and the sound legal structure.

DHFL, the originator has assigned the identified pool of loan receivables to a special purpose vehicle (SPV)/ Trust, by Nirmaan RMBS Trust - Series I - 2015. The transaction is structured at par. The transaction envisages ultimate payment structure for the series A2 PTC Payouts (i.e. principal payout for Series A2 PTC), where Series A2 PTC principal payout shall be made only if excess is left from collection after meeting statutory dues, if any, overdue payouts, if any, monthly schedule payout to Series A1 PTC, monthly interest for Series A2 PTC and replenishment of credit collateral. DHFL will act as the collection & paying agent to service the loan receivables. The Credit cum liquidity enhancement includes subordinated excess interest spread and credit collateral in the form of fixed deposit with a lien marked in favor of the Trust or in the form of guarantee as per CARE's criteria.

The assigned pool consists of 1,596 housing loan contracts. All the underlying loans are variable interest rate loans. The average original loan amount is Rs. 14.7 lakhs. The pool has weighted average Original Loan to Value ratio of 74.8% and weighted average net seasoning of 22.5 months. All the contracts in the pool are current on payment as on the cut-off date. The pool is concentrated in terms of geographical spread. The top state (Maharashtra) contributes 81.2% of the pool principal.

CARE has analyzed the recent performance of DHFL's loan against property portfolio and static pools as well as the performance of similar mortgage asset classes in the industry. Based on this, CARE has computed the base case shortfalls on the current transaction. CARE has applied stresses on key factors like amount of default, timing of default, recovery rate, time to recovery, the prepayment rate and the resulting average pool rate compression. CARE has found that the credit cum liquidity enhancement provided is commensurate with the assigned rating.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Background

Dewan Housing Finance Corporation Ltd. (DHFL) (rated at CARE AAA for long term and medium term obligations) was incorporated in 1984. Mr. Kapil Wadhawan is its chairman and managing director. With more than two decades of experience, DHFL is among the oldest private sector Housing Finance Companies (HFC) in India. The company operates through a pan-India network of 155 branches and 90 service centres.

DHFL's loan portfolio stood at Rs. 44,742 crore as on September 30, 2014 as against Rs. 40,597 crore as on March 31, 2014. The Capital Adequacy Ratio (CAR) stood at 16.17% as on September 30, 2014 as compared to CAR of 17.16% as on March 31, 2014. Gross NPA ratio stood unchanged at 0.78% as on September 30, 2014 as compared to 0.78% as on March 31, 2014.

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

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.

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 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 assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating 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.

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