

**DHFL Direct Assignment March 2012 – I**  
**[Originator: Dewan Housing Finance Corporation Limited (DHFL)]**

April 22, 2020

**Ratings**

Instrument	Initial Pool outstanding (Rs. crore)	Current Pool outstanding (Rs. crore) <sup>&amp;</sup>	Rating / Credit Opinion	Rating Action
Assignee Payouts	321.84	51.46	Equivalent to CARE B (SO) (Under Credit Watch with Negative Implications)	Revised from Equivalent to CARE BBB (SO) (Under Credit Watch with Negative Implications)

*Details of instruments/facilities in Annexure-1*

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

*& after March-20 payout*

**Rating Action**

CARE has revised the credit opinion equivalent to 'CARE B (SO) (Under credit watch with Negative implication)' [pronounced as 'CARE B (Structured Obligation)'] to the Assignee Payouts in Direct Assignment of Housing Loan receivables originated by Dewan Housing Finance Corporation Limited (DHFL).

**Detailed description of the key rating drivers**

CARE had sought confirmation from the investor and Trustee pertaining to the scheduled monthly repayment due on April 10, 2020. The Trustee has sent a confirmation on April 18, 2020 that the payout could not be processed, resulting in the said rating action.

The rating action takes into account the inability of DHFL (servicer) to transfer the monthly collections to the Collection and Payment Account (C&P Account) and provide the servicer report and funds to the trustee due to the COVID-19 pandemic and the resultant country-wide lockdown instituted by the Central Government of India starting March 25, 2020.

In addition that, CARE has also considered the event regarding the Appointment of Administrator and Commencement of Corporate Insolvency Resolution Process under the Insolvency and Bankruptcy Code, 2016 for DHFL. The Administrator has deemed that the credit enhancement kept in the form of FD is the asset of DHFL and the same would not be available for future shortfalls. CARE has factored this aspect as well in to its rating action.

**Key Rating Strengths:**

1. Cumulative collection efficiency of the pool is above 99%.
2. The delinquencies are lower than expected.

**Key Rating Weaknesses:**

1. Inability of DHFL (servicer) to fund the C&P Account to make scheduled payouts.
2. Servicer Risk – Severely weak credit profile of the servicer (DHFL).
3. Impact of moratorium on pool collections

**Analytical approach & Applicable Criteria**

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

[CARE Policy on Default Recognition](#)

**Liquidity Position:**

The liquidity position of the transaction is poor as the credit enhancement is unavailable to cover for any shortfalls in the collections from the underlying contracts. The ability of the servicer to transfer the collections to the C&P Account, due to the COVID-19 pandemic and the lockdown is likely to result in delays in making the scheduled payouts. Due to the uncertainty associated with the insolvency proceedings, there is lack of clarity on the transfer of collections and availability of collateral for utilization in case of shortfalls.

**Rating Sensitivities:**
**Positive Factors**

1. Funding in C&P Account in timely manner
2. Impact of moratorium and disruption due to lockdown on pool collections.

**Negative Factors**

1. Deterioration in pool performance post moratorium

**Key Rating Assumptions**

NA

**About the Company**

Incorporated in 1984, DHFL is registered as housing finance company in India with total asset size of Rs.1,06,475 crore as on March 31, 2019. DHFL had a loan portfolio of Rs.97,977 crore as on March 31, 2019. The company operates through a network of over 330 offices (incl. branches and service centres). The Reserve Bank of India (RBI) has filed insolvency proceeding against Dewan Housing Finance Limited (DHFL) with NCLT on 29th November 2019. Mr. R Subramaniakumar, ex-MD and CEO of Indian Overseas Bank, has been appointed as the administrator of DHFL.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	10,465	12,903
PAT	1,172	-1,036
Interest coverage (times)	1.23	0.88
Total Assets	1,07,436	1,06,475
Net NPA (%)	0.56	2.12
ROTA (%)	1.17	-0.97

A: Audited

**Status of non-cooperation with previous CRA:**

Not Applicable

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

**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
Direct Assignment-Assignee Payout	Mar'12	9.65%	Sep'38	51.46	CARE B (SO) (Under credit Watch with Negative Implications)

**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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Direct Assignment-Assignee Payout	LT	51.46	CARE B (SO) (Under Credit watch with Negative Implications)	-	1)CARE BBB (SO) (Under Credit watch with Negative Implications) (19-Sep-19) 2)CARE BBB (SO) (Under Credit watch with Negative Implications) (17-May-19) 3)CARE AAA (SO) (Under Credit watch with Negative Implications) (06-May-19)	1)CARE AAA (SO) (Under Credit watch with Developing Implications) (06-Feb-19) 2)CARE AAA (SO) (28-Jun-18)	1)CARE AAA (SO) (05-Jun-17)

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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