

**Originator: Reliance Home Finance Limited**  
**Ratings of Securitisation Transactions**

September 23, 2020

**Ratings**

Trust	Instrument	Outstanding Principal (Rs. Cr)*	Rating <sup>1</sup>	Rating Action
Indian Receivable Trust 2019 Series 3	Series A1 PTCs	14.48	CARE A (SO) (Under Credit Watch with Developing Implications)	Reaffirmed
	Series A2 PTCs	131.97	CARE A (SO) (Under Credit Watch with Developing Implications)	Reaffirmed
	Series A3 PTCs	5.72	CARE A (SO) (Under Credit Watch with Developing Implications)	Reaffirmed
Indian Receivable Trust 2019 Series 4	Series A1 PTCs	17.25	CARE A (SO) (Under Credit Watch with Developing Implications)	Reaffirmed
	Series A2 PTCs	117.92	CARE A (SO) (Under Credit Watch with Developing Implications)	Reaffirmed

*Details of instruments/facilities in Annexure-1*

*\*After Aug'20 payouts*

**Detailed Rationale & Key Rating Drivers**

CARE has reaffirmed the ratings for the PTCs issued by Indian Receivable Trust 2019 Series 3 and Indian Receivable Trust 2019 Series 4 to 'CARE A (SO)' [CARE Single A (Structured Obligation)], originated by Reliance Home Finance Limited (RHFL). The rating continues to be on credit watch with developing implications.

The rating is primarily based on the performance of the underlying loans over the past 18 months post securitisation. It draws comfort from the achieved stability in transition process after the change of servicer & the collection agent, the minimum disruption to asset quality of the pool during the intervening period, the moratorium grant received from the investors and the available credit enhancement facility along with the principal subordination & EIS support present.

**Rating Sensitivities**

*Positive Factors* – Factors that could lead to positive rating action/upgrade:

- Continued lower delinquencies in the underlying pool
- Further build-up of cash collateral (as % of balance POS)

*Negative Factors* – Factors that could lead to negative rating action/downgrade:

- Higher than expected delinquencies, especially in the immediate period post the moratorium
- Inability of servicer to keep discharging all the servicer responsibilities seamlessly

**Detailed description of the key rating drivers**

Previously, the deterioration in the credit profile of the originator & servicer, RHFL, had resulted in the revision in the credit rating of RHFL's debt instruments & bank facilities to 'CARE C' / 'CARE D', elevating the Servicer Risk for the transactions. The risk has been mitigated at large by the appointment of Small Business Fincruit India Pvt Ltd. (SBFC) as an alternate servicer last year. No major disruption in terms of deterioration of the underlying asset's quality or severed collections have been observed in the intervening transition period.

Pursuant to RBI notification dated March 27, 2020 permitting all lending institutions for allowance of three month moratorium on payment of instalments of term loans falling due between March 1, 2020 and May 31, 2020, and the following extension thereby extending the moratorium period till –August 31, 2020, the investors have approved the moratorium for the underlying borrowers and likewise agreed for a revised pay-out structure for both the transactions. CARE will monitor the monthly payouts and performance of the underlying pools. Any decline in collection efficiency, deterioration in asset quality and sizeable utilization of cash collateral will be the key monitorable in the months ahead.

<sup>2</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

The detailed performance of the pools is as under:

Particulars	IRT Series 3*	IRT Series 4*
Months Post Securitization	18	18
Pool Amortisation (%)	37.1	46.7
Series A1 PTC Amortisation (%)	78.5	84.1
Series A2 PTC Amortisation (%)	24.0	22.3
Series A3 PTC Amortisation (%)	39.2	NA
90+ DPD (% of Initial POS)	2.8	2.3
180+ DPD (% of Initial POS)	2.7	2.3
90+ DPD (% of Balance POS)	3.8	3.7
Overdues as a % of POS	0.4	0.4
Cumulative Collection Efficiency (%)	96.5	96.0
CC as a % of Balance POS	14.9	18.4
Break even Collection Efficiency (%)	67.0	67.2

\*Aug'20 payout

#### Key Rating Strengths:

- Available credit enhancement for the transactions
- Achieved stability is the process post appointment of the new servicer
- Improving collections in end months of moratorium period

#### Key Rating Weaknesses:

- Limited track record of the servicer
- The expected stress in collections in period post the moratorium

#### Analytical approach & 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 trends in RHFL's (Originator's) portfolio performance; pool characteristics and the overall performance of the mortgage backed lending industry and have 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.

#### Originator – Brief Profile

RHFL was incorporated in June 2008 and is promoted by Reliance Capital Ltd. (RCL). RCL holds 47.91% stake in the company as on June 30, 2019. The overall promoter stake in the company (including RCL) stood at 73.09% as on June 30, 2019. The company was listed on stock exchanges on September 22, 2017. The company's portfolio is spread across 25 states with major concentration in Maharashtra, Gujarat and Tamil Nadu. The company is present in over 120 locations through 'hub and spoke' model and caters to over 36,100 customers.

RHFL is currently rated 'CARE D' for its medium and long term obligations.

Brief Financials (Rs.Cr)	FY18 (A)	FY19 (A)
Total Operating Income	1,683	2,003
PAT	167	67
Interest Coverage (times)	1.23	1.08
Total Assets*	15,039	17,756
Net NPA (%)	0.68	0.61
ROTA (%)	1.30	0.38

A: Audited

\*adjusted

#### Servicer – Brief Profile

Small Business FinCredit India Private Limited (SBFC) is a Systemically Important Non-Banking Finance Company registered with RBI. As on March 31, 2019, Lyra Partners Limited and Arpwood Partners & Associates hold 74% and 23%

shareholding of the company respectively and the balance is being held by the Management and ESOP Trusts. SBFC commenced its operations in September 2017 after the buyout of retail business of Karvy Financial Services. The company has also entered into a co-origination agreement with ICICI Bank for LAP.

With 94 branches spread across 62 cities in 13 states, SBFC is engaged in providing loans to MSMEs, Loan against Property, Gold Loans, Personal Loans and Working Capital Loans. As on Dec'18 the company had an overall AUM of Rs. 1066.2 crores with loans to micro-enterprise constitutes 64%, Small and Medium Enterprise 11%, Loan Against Gold 22%, personal loans 3% and the balance 1% is constituted by Small Commercial Vehicle Loans.

Brief Financials (Rs. Crore)	FY18 (A)*	FY19 (A)*
Net Interest Income	58.17	123.97
Operating Income	58.49	125.72
PAT	3.14	24.43
Total Assets	1,382.14	1,792.99
AUM	778	1,156
Tangible Net worth	848.43	880.24
Gross NPA (%)	1.40	0.43
CRAR (%)	55.95	44.81

\*based on INDAS

#### 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
<b>Indian Receivable Trust 2019 Series 3</b>					
Pass Through Certificates	-	-	-	14.48	CARE A (SO) (Under Credit watch with Developing Implications)
Pass Through Certificates	-	-	-	131.97	CARE A (SO) (Under Credit watch with Developing Implications)
Pass Through Certificates	-	-	-	5.72	CARE A (SO) (Under Credit watch with Developing Implications)
<b>Indian Receivable Trust 2019 Series 4</b>					
Pass Through Certificates	February 21, 2019	SBI MCLR plus 193bps	May 2027	17.25	CARE A (SO) (Under Credit watch with Developing Implications)
Pass Through Certificates	February 21, 2019	SBI MCLR plus 193bps	January 2044	117.92	CARE A (SO) (Under Credit watch with Developing 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
<b>Indian Receivable Trust 2019 Series 3</b>								
1.	Pass Through Certificates	LT	14.48	CARE A (SO) (Under Credit watch with Developing Implications)	-	1)CARE A (SO) (Under Credit watch with Developing Implications) (27-Sep-19) 2)CARE A (SO) (Under Credit watch with Negative Implications) (06-May-19)	1)CARE AA (SO) (13-Mar-19) 2)Provisional CARE AA (SO) (22-Feb-19)	-
2.	Pass Through Certificates	LT	131.97	CARE A (SO) (Under Credit watch with Developing Implications)	-	1)CARE A (SO) (Under Credit watch with Developing Implications) (27-Sep-19) 2)CARE A (SO) (Under Credit watch with Negative Implications) (06-May-19)	1)CARE AA (SO) (13-Mar-19) 2)Provisional CARE AA (SO) (22-Feb-19)	-
3.	Pass Through Certificates	LT	5.72	CARE A (SO) (Under Credit watch with Developing Implications)	-	1)CARE A (SO) (Under Credit watch with Developing Implications) (27-Sep-19) 2)CARE A (SO) (Under Credit watch with Negative Implications) (06-May-19)	1)CARE AA (SO) (13-Mar-19) 2)Provisional CARE AA (SO) (22-Feb-19)	-

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
<b>Indian Receivable Trust 2019 Series 4</b>								
1.	Pass Through Certificates	LT	17.25	CARE A (SO) (Under Credit watch with Developing Implications)	-	1)CARE A (SO) (Under Credit watch with Developing Implications) (27-Sep-19) 2)CARE A (SO) (Under Credit watch with Negative Implications) (06-May-19)	1)CARE AA (SO) (13-Mar-19) 2)Provisional CARE AA (SO) (22-Feb-19)	-
2.	Pass Through Certificates	LT	117.92	CARE A (SO) (Under Credit watch with Developing Implications)	-	1)CARE A (SO) (Under Credit watch with Developing Implications) (27-Sep-19) 2)CARE A (SO) (Under Credit watch with Negative Implications) (06-May-19)	1)CARE AA (SO) (13-Mar-19) 2)Provisional CARE AA (SO) (22-Feb-19)	-

**Annexure 3: Complexity level of various instruments rated for this company**

Sr. No	Name of Instrument	Complexity Level
1	Pass through Certificates	Highly Complex

**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.

## Contact us

### Media Contact

Name - Mradul Mishra  
Contact no. – +91-22-6837 4424  
Email ID – [mradul.mishra@careratings.com](mailto:mradul.mishra@careratings.com)

### Analyst Contact 1

Name – Sriram Rajagopalan  
Contact no. – +91-22-6754 3652  
Email ID – [sriram.rajagopalan@careratings.com](mailto:sriram.rajagopalan@careratings.com)

### Analyst Contact 2

Name - Sanjay Agarwal  
Contact no. – +91-22-6754 3582/500  
Email ID – [sanjay.agarwal@careratings.com](mailto:sanjay.agarwal@careratings.com)

### Business Development Contact

Name – Ankur Sachdeva  
Contact no.: +91-22-6754 3495  
Email: [ankur.sachdeva@careratings.com](mailto:ankur.sachdeva@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 the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. 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. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**