

PRESS RELEASE

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Securitisation volumes originated by affordable housing finance companies expected to increase by 27% in FY2025: ICRA

- *Formation of RMBS Development Company Limited in March 2024 is a positive step in deepening the mortgage-backed securitisation market*

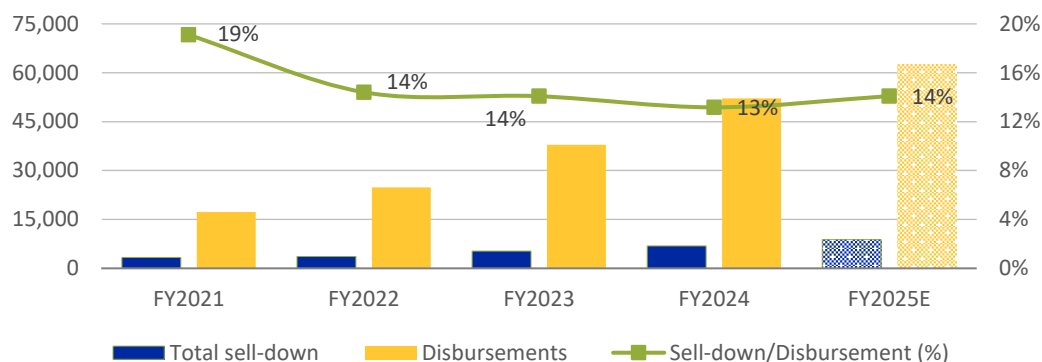
ICRA expects the securitisation volumes originated by affordable housing finance companies (AHFCs) to reach Rs 8,800 crore in FY2025. This entails a sharp YoY expansion of 27%, as the AHFCs continue to scale-up further, given the under-penetration of the mortgage loan market, improving affordability of home buyers and low delinquency levels in the securitised pools, which provide confidence to investors.

Abhishek Dafria, Senior Vice President and Group Head, Structured Finance Ratings, ICRA, said: *“Securitisation as a fund-raising tool has grown in prominence in the financial sector, post the pandemic. The AHFCs have also seen similar momentum in the securitisation volumes driven by healthy asset quality and strong growth in disbursement levels. Direct assignments have been the preferred route for the AHFCs, which form 70%~80% of the total AHFC securitisation volume as it allows the entities to sell down a share of loan against property (LAP) and thus maintain the minimum requirement of housing loans on their books. Direct assignment also allows for upfront excess interest income booking, supporting profitability indicators. Nonetheless, we have witnessed increased appetite of new originators and investors towards pass-through certificate (PTC) issuances to diversify the borrowing mix.”*

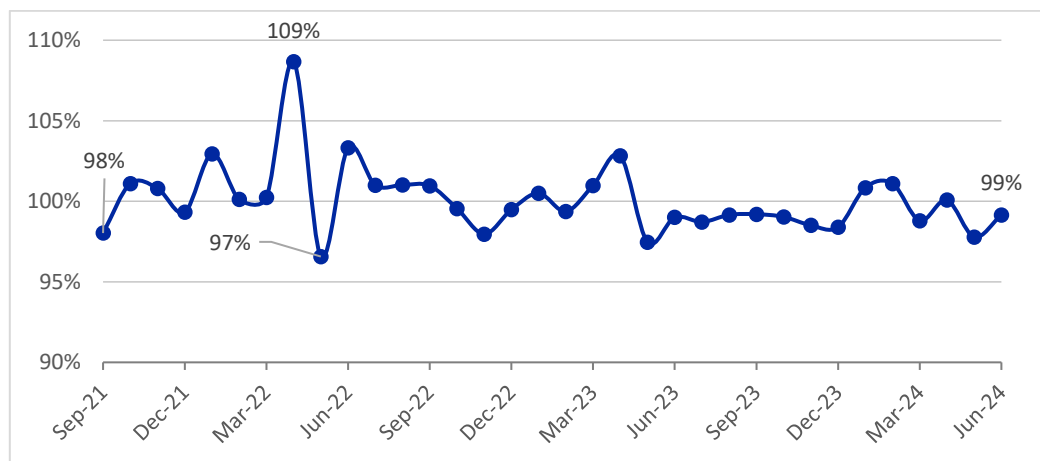
ICRA estimates that the securitisation volumes originated by the AHFCs had improved to Rs 6,900 crore in FY2024 from Rs 5,300 crore in FY2023, in line with the growth in their portfolio size. These volumes have consistently remained at about 13%~14% of the annual disbursements for the past few years.

The market for securitisation has been widening as 15 originators participated in the market in FY2024 against 13 in FY2023. As the credit demand in this sector is likely to remain high, ICRA expects new financiers to also explore this market to meet growing funding requirements. The AHFC space is dominated by the AA-category rated entities with their average share at ~80% in total sell-down volumes over the last four years. The performance of the pools has also been strong. The average collection efficiency for ICRA-rated pools has been at about 99~100% for the past three years with 90+dpd, well below 1%.

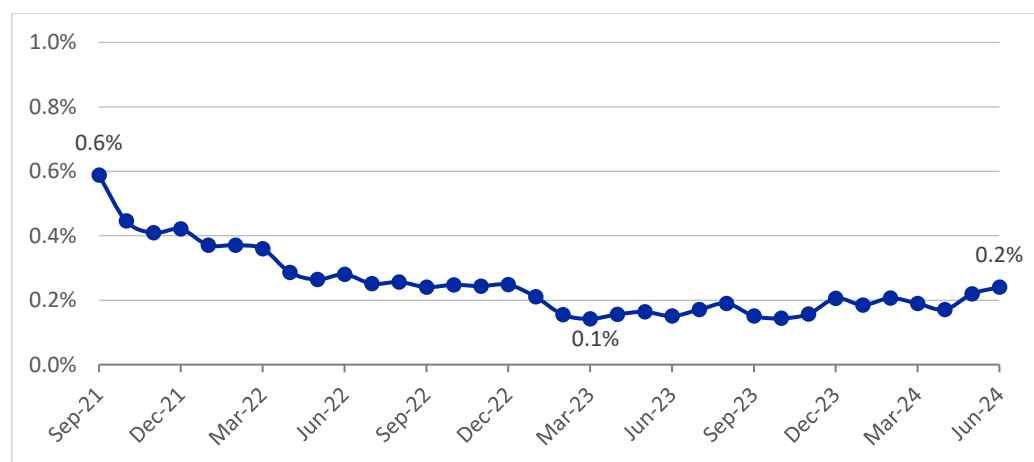
“The formation of RMBS Development Company Limited in March 2024 is another positive step in deepening the mortgage-backed securitisation market. The entity was set up with the objective of scaling up this industry and creating a liquid secondary market, given the strong growth expected in the mortgage business in the near to medium term. Nonetheless, it would be imperative for the new entity to create the right tools and environment such that the knowledge of securitisation percolates even further and allows new investor categories such as insurance companies and pension funds to invest in such long-tenure assets. Further, the budgetary support of PMAY (U) 2.0 will also help scale up the affordable housing finance market, thus ensuring healthy asset availability for securitisation.”

Exhibit 1. Disbursements and securitisation trends for AHFCs*


**Disbursement data is for a set of 17 entities aggregating ~90% of the total loan book of Affordable Housing Finance Companies (AHFCs)*

Exhibit 2. Monthly collection efficiency in ICRA-rated AHFC pools (PTCs)


Note: data for 19 pools analysed; monthly collection efficiency = (current collections + overdue collections) / current billings

Exhibit 3. 90+ delinquency in ICRA-rated AHFC pools (PTCs)


Note: data for 19 pools analysed; principal outstanding on contracts aged 90+ dpd / initial principal outstanding

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